

Jimmy Burns in Lisbon writes on the anniversary of the revolution

A lingering return to barracks

TODAY'S MILITARY parade in Lisbon, marking the sixth anniversary of the Portuguese revolution, will remind the Portuguese that what happened on April 25, 1974 was a military coup, even though the soldiers held carnations.

As Gen. Antonio Ramalho Eanes, Portugal's President, reviews his troops, it will also remind them that Portugal's somewhat unsteady progress from virtual anarchy to parliamentary democracy has been dictated less by civilian politicians' intervention than by the armed forces' willingness to let them intervene.

Finally, the parade will be a reminder that in 1980, just as in 1974, Portugal's political future still depends on the power and ambition of the men with guns. It is appropriate that Gen. Eanes should once again be the central figure in today's "celebrations." He has contributed more than anyone to contemporary Portugal. It was he who, on November 25, 1976, managed to unite a heterogeneous mass of social democrats, socialists, and conservatives against an attempt by the extreme left to impose Western Europe's first workers' state.

Most observers agree that that so-called "coup" stemmed from imaginative newspaper headlines. But it brought into the open the simmering conflict between President Eanes and the centre-right Government on several issues, the most important being the Council of the Revolution's role.

The 201-man council, assured a leading part in Portuguese politics by the 1976 constitution, comprises the President (who is chairman), the chief of staff and his deputy, the three service chiefs, and 14 officers (eight chosen by the Army and three each by the Air Force and the Navy). The constitution, which cannot be revised until after this October's general election, empowers the council to act as a constitutional watchdog, and to veto legislation it judges incompatible with the "spirit of 25 April."

Gen. Eanes, head of the armed forces, has also achieved what is generally described as a "return to barracks" but which could be more accurately a subtle balance of forces between left and right, removing from positions of influence potential trouble-

makers on the extreme left and right, like Major Otelio Saraiva de Carvalho and Gen. Antonio Spínola.

But the armed forces are still far from apolitical. This week, at one anniversary celebration, 2,180 sergeants pledged their support for the "spirit of the 25 April revolution." And a recent crisis arose after reports that left-wing officers had plotted to oust the Government.

The Council recently vetoed a crucial government law opening up the economy to the private sector for the first time since 1974. The council argued that the law was unconstitutional, but the Government was unconvinced. It has returned the law to the council for reappraisal, refusing to give way on an issue it describes as the cornerstone of its economic policy.

Throughout the election campaign last November, the Democratic Alliance, the ruling coalition of Social Democrats, Christian Democrats and Monarchists, defended its assault on the Council of the Revolution as part of its plan to remove the armed forces from politics. "Until we do that, we will never have true democracy in Portugal," said Sr. Francisco de Carvalheiro, the present Prime Minister.

Yet the Prime Minister himself has gone back on his original preference for a civilian head of state, by choosing Gen. Antonio Soares Carneiro to run as the Democratic Alliance candidate against Gen. Eanes in this year's presidential elections.

Gen. Soares Carneiro is one of the few warm officers not to have taken an active part in the events surrounding the revolution. His defenders see him as the archetypal "professional" soldier, who will carry on where President Eanes left off and restore discipline to the armed forces.

But his opponents point to his "collaboration" with the former dictatorship, and to his virulent anti-Communism, and describe him as a potential "putschist."

Given the unpredictability of Portuguese politics, either view of Gen. Soares Carneiro is possible, against the background of legislation soon to be presented to Parliament by Sr. Adelino Amaro De Costa, the Defence Minister.

Sr. Da Costa's National

Defence Law aims to replace the constitution as the means of defining the armed forces' role within the political system. The draft law gives them the role of protecting "national and international security." This contrasts with the present constitution, which defines their role as the "guarantors of the revolution."

The new laws many critics are worried because national security (as defined by the new



President Eanes: fought off the extreme left.

law) will henceforth be supervised not by parliament but by a semi-military body, the Superior Council for National Defence.

Its composition will differ from that of the Council of the Revolution. It includes ministers, as well as the President and the joint chiefs of staff. Nevertheless, the law stipulates that the council "may, but not necessarily must, include representatives of the opposition parties," which has been criticised as giving "carte blanche" for the arbitrary use of power. As one military commentator put it: "Instead of the Council of the Revolution, we shall have a council of the right."

The chances are that the National Defence Law will meet stiff opposition in parliament, as well as the potential veto of the Council of the Revolution. This will leave the Government, if, as expected, it wins October's general election, more determined than ever to revise

the constitution.

In the meantime, the armed forces' role will continue to be determined less by the machinations of the civilians than by the way the army reorganises

Portugal's membership of the North Atlantic Treaty Organisation is important in this respect. Gen. Eanes' determination to remove the armed forces from politics has nowhere been more apparent than in the creation since 1976 of Portugal's NATO brigade. The 4,000-strong brigade has become the backbone of the military rationalisation programme since the end of the African colonial wars. (The army has been cut from a peak of about 200,000 to just under 35,000). Re-equipment and re-training by West Germany and the U.S. has helped to turn it into an elite force.

Nevertheless, officers of the brigade, based in Santa Margarida, north of Lisbon, insist they have not received enough support from the alliance. Most equipment they receive is second-hand, and none of the men are equipped with the nuclear, chemical and biological warfare kit which is standard for most Atlantic alliance troops.

There is deep suspicion expressed in a recent issue of Portugal's military journal by Lieut-Colonel Firmiano Miguel, the former Defence Minister, that Atlantic alliance members are marking time, waiting for Spain to join with its vastly better organised and better equipped military machine.

These suspicions are not entirely groundless. Western strategists readily accept that Portugal's main contribution is the strategic air strip on the Azores, which it leases to the U.S. As for mainland Portugal, it makes more sense to improve the Air Force and Navy than to concentrate on the Army. One military observer said rather cynically: "By the time the Warsaw Pact reached Lisbon we would probably all be dead."

The problem is not easily solved. On the one hand, the armed forces are lingering on their way back to barracks, looking for a role in post-empire Portugal's Parliamentary system. On the other, the Atlantic alliance is increasingly aware of the need to strengthen its southern flank, but lacks resources to lavish on its weakest member.

W. German car output declines by 8%

By Kevin Done in Frankfurt

After five boom years the expected weakening of West German car production is becoming apparent. Production in the first quarter fell by some 8 per cent compared with the corresponding period of 1979.

Car production in March was down by as much as 10 per cent compared with the very high level of March 1979.

The weakening output is not seen as a serious cause of concern in the industry, which regards it as a natural downturn in the cycles after five unexpectedly successful years. The main sectors to be hit are the production of cars with a capacity of about two litres and above, and short-time working has had to be introduced at some plants by important manufacturers, such as Opel and Ford.

Some 1,017,600 cars were made in the first quarter compared with 1,106,953 in the first quarter of 1979. Average production in March was up by some 2 per cent, however, compared with the previous month.

No general down-turn is yet apparent, however, in the production of commercial vehicles. First quarter production reached 90,900 vehicles, up 3 per cent compared with a year earlier. Production in March also rose 3 per cent above the February level.

The West German Motor Industry Federation says domestic demand for cars has weakened significantly, while demand from foreign markets is at a similar level to last year. Foreign demand is still strong for lorries and buses.

Total motor vehicle exports in the first three months were ahead of last year's performance. Foreign sales were 2 per cent above the first quarter of 1979.

Foreign companies discouraged by Indian regulations

By K. K. SHARMA IN NEW DELHI

A NUMBER of foreign companies have had to "cease operations" in India because of the Foreign Exchange Regulation Act, which requires them to "Indianise" their ownership or to close if they are only trading companies.

Figures released by the Department of Company Affairs show that 128 foreign companies closed down in 1978-79. The total number of foreign companies in the country at the end of March, 1979, was 358, as against 473 the previous March. Fourteen new foreign firms started business in 1978-79.

According to the annual report on the working and administration of the Companies Act, the largest representation among foreign companies in

India continues to be British. Companies incorporated in the UK in 1979 numbered 189, as against 265 in 1978 and 276 in 1977.

The U.S., next on the list, had 81 companies in 1977, 80 in 1978 and 64 in 1979. Japan had 20 companies in both 1977 and 1978, but the number declined to 17 in 1979. There were five West German companies in 1979, as against 11 in each of the two previous years.

Apart from the 358 foreign companies in existence at the end of March last year, there were 752 Government companies, 50,289 non-Government firms (7,893 public limited, 42,376 private limited), 62 companies with unlimited liability and 1,414 limited by guarantee and associations not for profit.

Four black leaders held by S. African police

By Bernard Simon in Johannesburg

SOUTH AFRICAN security police have detained four black consciousness leaders and four others in terms of a law which provides for detention without trial of up to two weeks.

Among the four men taken into custody is Mr. Curtis Nkomo, until recently president of the Azanian People's Organisation which some regard as the successor to the banned Black People's Convention led by Mr. Steve Biko who died in police custody nearly three years ago.

The detentions follow a recent warning by the Minister of Police that the Government was taking note of the activities of the Azanian organisation and other similar organisations.

Mr. Nkomo was detained shortly after urging white university students in Johannesburg to join resistance against the Government's education policies. The Azanians and two other black consciousness groups pledged their support yesterday to the five-day boycott of schools by coloured (mixed race) pupils. They said that

unless the authorities responded to the children's grievances, another conflagration similar to that in the black township of Soweto in June 1976 would be inevitable.

The coloured boycott continued yesterday and was joined by pupils at a number of Indian schools in Pretoria and Natal. In the past few days, police have used teargas and mounted baton charges in Johannesburg, Durban and Cape Town to disperse groups of students. Meanwhile, a group of coloured educationalists has disclosed that it warned the Government nine months ago that the coloured education system was "in a mess and headed for collapse."

The number of emigrants leaving South Africa dropped sharply last year, the Department of Statistics disclosed yesterday. Some 13,800 people left the country permanently in 1979, compared with 20,686 the previous year. Immigrants last year numbered 17,304 (1978: 18,669), about one third of them from Rhodesia.

West Bank inflamed by settler rampage

By David Lennon in Tel Aviv

RAMALLAH, one of the largest towns on the occupied West Bank of the Jordan, simmered on the verge of revolt yesterday following a rampage of destruction through the town by Israelis from a Jewish settlement.

The raid by the settlers left hundreds of cars and house windows smashed and heightened still further the tension between the West Bank Palestinians and the settlers. An angry meeting of West Bank mayors and public figures in Ramallah called for protest demonstrations against the settlers, an economic boycott of Israel, a three-day public transport strike, and a parade of the damaged cars through West Jerusalem.

The settlers are understood to have staged the raid in response to an unsuccessful grenade attack on one of their buses two days ago and because of the frequent stoning of Israeli vehicles on the West Bank.

The Israeli military governor of the West Bank yesterday ordered the Mayor of Ramallah, Mr. Karim Khalaf, to cancel the planned West Bank response. The major said the military governor threatened him with detention and even deportation.

During the morning Israeli soldiers fired in the air to disperse stone-throwing children demonstrating against the settlers. The army arrested four Israelis from the nearby Jewish settlement of Beit El who were believed to be responsible for the destruction.

Tarring appeal ends

The appeal by Mr. Richard Tarring, a British businessman, against conviction on five charges under Singapore's Companies Act has ended after three and a half days of legal submissions, writes our Singapore Correspondent. Judgment has been reserved. The charges relate to the accounts of Haw Par, of which Mr. Tarring, who has already served four months in jail, was a director.

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UK NEWS

Investment abroad shows sharp rise

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

INVESTMENT overseas by British financial institutions has risen sharply since the end of exchange controls last year.

Central Statistical Office figures published yesterday show that purchases of overseas company and Government securities totalled £490m in the second half of last year compared with £195m in the preceding six months.

Holdings of other financial assets overseas rose from £78m to £370m in the same period.

Exchange controls on overseas investment were partially relaxed in June and July and abolished in October.

Investment in ordinary shares of overseas companies in the

| NET INFLOW INTO FINANCIAL INSTITUTIONS LIFE ASSURANCE COMPANIES AND PENSION FUNDS, £M | |
|---|-------|
| 1975 | 4,262 |
| 1976 | 5,348 |
| 1977 | 6,118 |
| 1978 | 7,461 |
| 1979 | 9,045 |
| 1st quarter, 1979 | 2,350 |
| 2nd " | 2,163 |
| 3rd " | 2,163 |
| 4th " | 2,345 |

Source: Central Statistical Office

September-December quarter was £255m, compared with purchases of ordinary shares of UK companies worth £357m.

The figures show that net inflows into life assurance com-

panies and pension funds totalled £9,050m last year, compared with £7,460m the previous year. Of this inflow, £4,450m was invested in gilt-edged securities and £2,520m in ordinary shares to the UK and overseas.

Purchases of property and land by these long-term financial institutions last year came to £1,080m, almost exactly the same as in the previous year. Total inflows into non-bank institutions of all kinds, including building societies, trustee savings banks and unit trusts, was £17.5bn last year, compared with £15.14bn previously. Of this, £8.4bn was invested in gilt-edged stock and £1.75bn in UK ordinary shares.

Isle of Grain generators look for a home

Martin Dickson considers the fate of equipment worth £450m stranded by the CEBG's decision to halt construction work on a power station

THE Central Electricity Generating Board's decision to halt construction work at its Isle of Grain power station in June raises the question of how much hardware can be salvaged from the £450m invested since the project began nine years ago.

The CEBG announced this week that it intends to halt construction because of failure to resolve a long-running pay dispute involving 27 laggards. Much of the work between now and June will simply make the plant safe for mothballing.

Grain, an oil-fired station on the Thames estuary ordered before the 1973-74 oil price explosion, and the largest of its

kind in Europe, was meant to be completed in 1978.

But persistent labour problems have meant that only one of its five 660 MW turbo-generators has come into operation. That has been supplying power to the grid since last August and will continue to do so.

But the fate of the other four generating sets is in doubt. Work on two of them—the pair furthest from completion, called units 4 and 5—was halted in January, and even if there is a settlement with

the laggards, it seems unlikely that they will ever be completed. The rising cost of fuel oil means that by the time of commissioning they would almost certainly be uneconomic to run.

One possibility might be to convert the two in coal firing or a coal-oil slurry. Alternatively, CEBG officials suggest it might be possible to move the two generators, which are in storage at Grain, to the Heysham 2 advanced gas cooled reactor nuclear station in Lancashire. Work on the foundations of

Heysham 2 is due to start in August.

But this might not be feasible. Even if it was, it would be unpopular with Northern Engineering Industries, which was awarded the contract for the design phase of the Heysham 2 generators and expects to win the main contract as well.

There is no other suitable site in the UK for the two sets. The CEBG could try selling the sets abroad, but that would be difficult. Foreign generators are often of a different design. Two other units at Grain

are nearly fully erected. In theory, the CEBG could try to find an alternative use for them as well, but in practice it would cost too much to dismantle the equipment.

The four unused boilers that go with the generating sets are also of limited value. They cannot be used in a nuclear station and would only convert to coal firing with difficulty.

The Grain site also contains a mass of infrastructure with no immediate use: oil tanks, offices, turbinas and boiler houses. From the outside it may look like a finished plant, but the interior reveals it as a monument to bad industrial relations and a costly warehouse for advanced equipment.

Public Order Act changes ruled out

BY JAMES McDONALD

THE GOVERNMENT is provisionally opposed to changes in public order legislation on demonstrations and processions which would undermine long-established methods of "policing by consent".

This view is put forward in the Government's review of the Public Order Act 1936 and related legislation, published yesterday as a Green Paper.

The review was started last June after the Southall riots in April and against a general background of an increase in the number of major demonstrations and a rise in violent incidents.

It is primarily concerned with inviting views on the broad issues of public order, but it does indicate Government thinking on certain issues.

On policing, the review says: "The British police do not have sophisticated riot equipment, such as tear gas or water cannon, to handle demonstra-

tions. Their traditional approach is to deploy large numbers of officers in ordinary uniform in the passive containment of a crowd.

"Neither the Government nor the police wish to see this approach abandoned in favour of more aggressive methods."

On the existing law, the review says that while it enables police to cope with disorder once it occurs, "it contains relatively little short of the ultimate sanction of a ban on a procession to help them prevent disorder before it breaks out."

On powers to control processions, the review concludes that the threat of public disorder should remain the basis on which a ban is considered, though the addition of other criteria need not be ruled out.

The present test of "serious public disorder," for example, may be too stringent. The Act is available from the Stationery Office, £2.50.

Reduction in MLR forecast

Financial Times Reporter

THE GOVERNMENT'S firm monetary and fiscal policies were beginning to yield some dividends, and a reduction in the Minimum Lending Rate (MLR) was to be hoped for soon, Sir John Greenborough, president of the Confederation of British Industry, said in London yesterday.

He told the Agricultural Engineers' Association that the CBI would be pressing the Government to cut MLR in view of recent statistics which indicated that the growth in the money supply had been brought within the target range.

But he warned that control of the money supply could not, by itself, bring down the level of inflation without inflicting serious damage on company and employment prospects. It must be accompanied by moderate pay settlements and improved productivity.

High unemployment figures reflected the consequences of pay settlements which were still far too high, Sir John said. He believed improving employee communication and consultation was a prerequisite of promoting improved productivity and realistic wage settlements.

Board mill closure will cost 200 jobs

BY WILLIAM HALL

ASSOCIATED Paper Industries is to close its packaging board mill in Scotland, making nearly 200 workers redundant. It is the second UK board mill closure in the last two months.

In February, Thames Board Mills, part of the Unilever group, announced that it was going to close one of its two board mills at Purfleet with the loss of 800 jobs.

It blamed heavy import competition and poor market conditions. The closure of Associated Paper's Vale Board mill at Denny, in Stirlingshire, comes less than a year after the group completed a £1.2m project to improve productivity.

To combat import competition, Associated Paper had installed sophisticated computer controls for round-the-clock working.

The project suffered considerable teething troubles during the early months of operation and this has been compounded by a severe fall in demand for white line chipboard which is used in carton making.

In its last financial year, Lancashire, and F. Garnett, in which ended in September, Vale lost £600,000. Mr. W. Q. C. Mackenzie, the finance director, said yesterday that it had lost more in the current year.

Redundancies are expected to cost the group £750,000.

Associated Paper's half yearly results are due next month. Apart from stemming the losses, the closure of Vale is likely to increase the group's indebtedness. Facilities have been arranged to cover this and borrowings should be reduced as working capital is realised from sales of stock.

Associated Paper is just one of a number of UK companies which is suffering from the depressed state of the carton board market. There is considerable overcapacity in Europe and packaging board is being imported into the UK, which consumes around 1m tonnes of board a year.

In output terms Vale Board mill was Associated Paper's biggest paper mill, with a capacity of 27,000 tonnes a year.

Its two other paper mills, Cooke and Nuttall in Yorkshire, and F. Garnett, in which ended in September, Vale lost £600,000. Mr. W. Q. C. Mackenzie, the finance director, said yesterday that it had lost more in the current year.

Commodities for £110,000

THE EXTRAORDINARY price of £110,000, plus 11.5 per cent of the Ottoman Empire, published in Constantinople about 1732, made £4,000.

The silver sale at Sotheby's suffered slightly from the problems facing this market after the rapid rise and fall in the price earlier this year, but the

SALEROOM

BY ANTHONY THORNCROFT

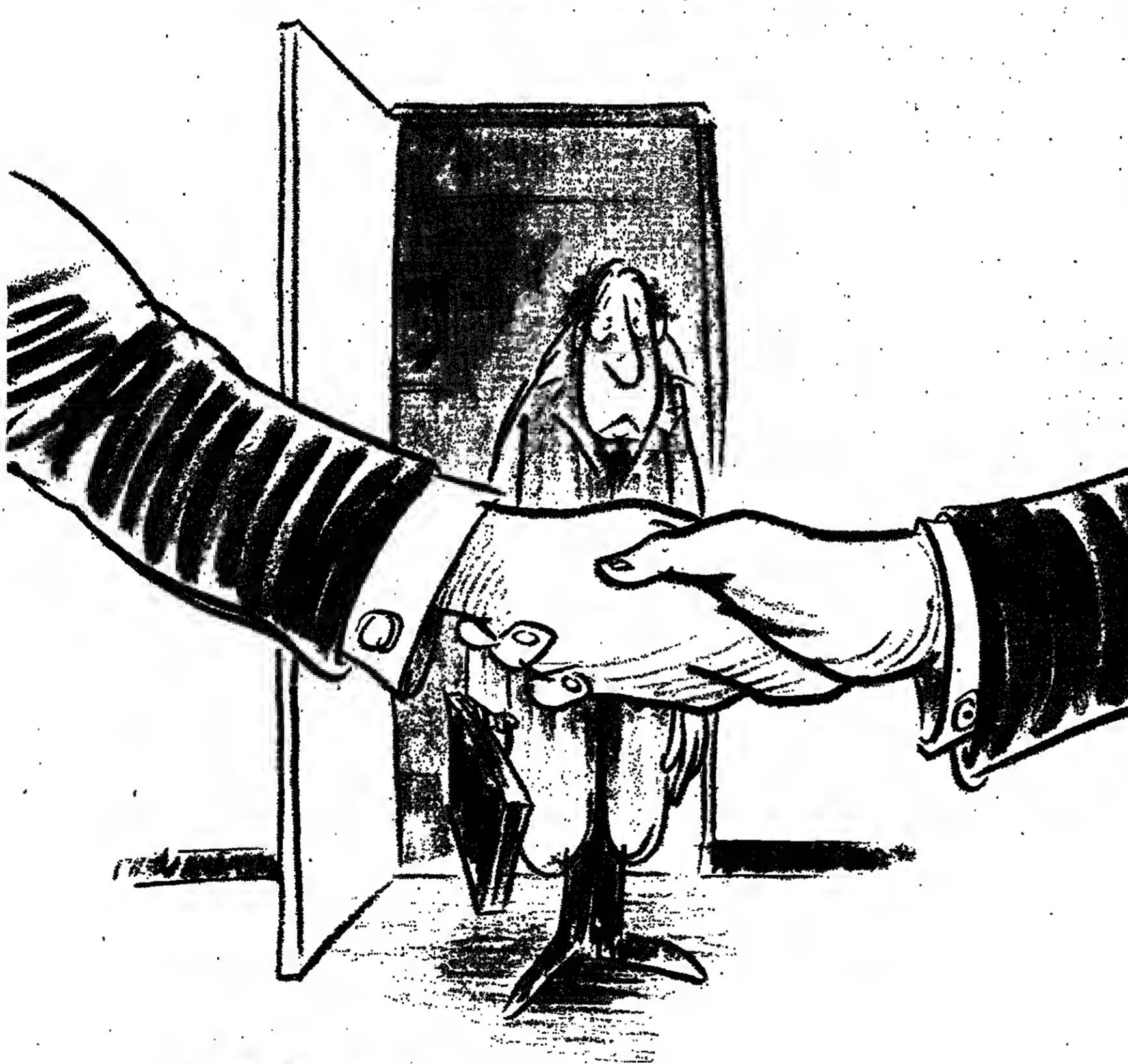
good items did well. Spink paid £4,300 for a pair of George II silver snuff boxes by Frederick Kändler, 1747, and Koopman turned out cover.

In the jewels sale a diamond bracelet made £20,000, and at Sotheby's Belgravia, which auctioned European ceramics, a pair of large "Sèvres" vases and covers by Berthelin sold for £3,600.

● SCOTTISH AID: Foreign industry has invested around £220m in Scotland over the past six months, says Mr. Robin Dunlop, the recently appointed chairman of the Scottish Development Agency. He said £120m of this was in electronics alone.

● DELAYS: Investors Chronicle publishers regret that readers will receive their copies of this week's issue late because of a national printing dispute. Every effort is being made to ensure that copies will be available as soon as possible.

● MITHVEN FUNERAL: A private funeral for Sir John Mithven, CBI director-general who died on Wednesday, will be held on Monday. A memorial service will be held later. A book of condolence has been opened at CBI headquarters in Tothill Street, London, SW1.



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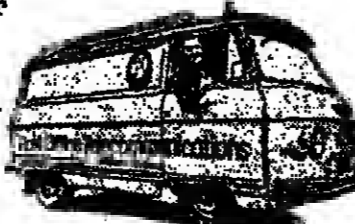
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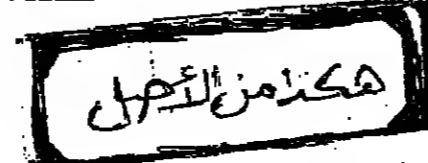
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NOTICE IS HEREBY GIVEN THAT

The Annual General Meeting will be held at 9.30 a.m. on Tuesday, 3rd June 1980,

at the Jahrhunderthalle in Frankfurt am Main-Höchst, Pfaffenwies.

Agenda

1. Presentation of the Annual Report and Accounts of Hoechst Aktiengesellschaft for 1979, with the Report of the Supervisory Board, and the Consolidated Report and Accounts for 1979.
2. Allocation of the profit available for dividend. It is proposed to pay a dividend of DM 7.— per share of DM 50.— nominal for the financial year 1979.
3. Ratification of the actions of the Board of Management for 1979.
4. Ratification of the actions of the Supervisory Board for 1979.
5. Resolution that the Board of Management be authorised until 2nd June, 1980, with the approval of the Supervisory Board, to increase the share capital by up to DM 250 million by the issue of new shares, against contributions in cash or in kind, and to decide on the exclusion of the subscription right of shareholders.
6. Election to the Supervisory Board.
7. Election of auditors for the financial year 1980.

The full agenda, including the proposed resolutions, is contained in the Bundesanzeiger no. 79 of 25th April, 1980.

Shareholders wishing to be present and to vote at the Meeting must comply with Article 14 of the Articles of Association and deposit their share certificates during usual business hours by Thursday, 29th May 1980, at the latest until after the Meeting, at one of the depositaries listed in the Bundesanzeiger no. 79 of 25th April 1980, or, in the United Kingdom, at the offices of

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Frankfurt am Main, April 1980

Hoechst Aktiengesellschaft

Leak 'exceeded Press freedom'

By Raymond Hughes, Law Courts Correspondent

THE FREEDOM of the Press does not include freedom to receive stolen property or to take part in unlawful acts, counsel for the British Steel Corporation said in the Court of Appeal yesterday.

Mr Leonard Hoffman, QC, was opposing Granada Television's appeal against a High Court judge's order that Granada must name the BSC employer who leaked confidential BSC documents.

The documents formed the basis of a World in Action programme on February 4 and were later returned to BSC with marks which might have identified the source of the leak obliterated.

Mr Hoffman said the case was not about the public function of the Press and television to investigate wrongdoing — what was known as investigative journalism.

"I hope that nothing in this case will cast any doubt on the public importance of this kind of journalism, or inhibit the type of journalism we associate with the Watergate affair."

Nor did the case question the public importance of the press and television being able to protect the anonymity of those from whom they lawfully received information.

It was concerned only with whether protection should be given to a person who unlawfully handed over confidential

documents or information which he knew he had no right to give, for whom no justification was claimed on the ground that the public interest required that the information should be revealed, and from whom a journalist received information, knowing that he had no right to receive it.

"The court is asked to say that the public interest does not require protection to be given to such a person," said Mr Hoffman.

Lord Justice Templeman suggested there might be instances where the Press genuinely believed that a matter was important in the public interest. Journalists might say: "Our duty is so high we must take the consequences."

"I would not like anything to go out from this court saying that the Press must or must not do anything."

The case raised a fundamental point about the values underlying our legal system, said Mr Hoffman. In particular, the right of every individual or corporation—even the Crown itself—to invoke the assistance of the court to remedy a wrong was concerned.

The fact that BSC was a great corporation and not a small individual should not obscure the fact that everyone, great or small, was entitled to the equal protection of the law.

The hearing continues today.

'Stodge or starve' plan for NHS

By Robin Pauley

GOVERNMENT proposals for reorganising the National Health Service could put hospital catering back 20 years, giving patients the choice of "stodge or starve," the Hospital Caterers' Association said yesterday.

The NHS spends about £150m a year on provisions and when labour, plant and equipment is included this figure rises to £300m.

Mr Brian Saunders, association chairman, said the Government proposals could "mean the disappearance of district catering manager posts, leaving less experienced catering staff to try to manage the vast sums of money."

The district catering manager was a highly experienced professional who insisted on high standards, ensured the elderly and mentally ill were not neglected, trained staff and identified waste.

"Without them hospitals would 'do their own thing' and standards would be set by accountants and administrators. I can foresee more like-it-or-lump-it menus and more stodge-or-starve choices," he said.

If NHS waste increased by only 1 per cent, it would wipe out the savings achieved by district catering managers, said the association.

Workmanship in new houses criticised

By Michael Cassell

FORTY PER CENT of new house buyers thought the workmanship in their homes was poor, according to the results of a survey issued yesterday by the National House-Building Council.

The council, which acts as the consumer watchdog in the new housing market, says it is growing more concerned about falling standards.

At the same time, however, the national survey showed 93 per cent of the home owners questioned said they were pleased they had purchased a new house.

It also showed that 46 per cent of respondents thought the finishing of new houses was poor while nearly 60 per cent thought the after-sales service provided by house builders was slow.

Commenting on the figures for poor workmanship, Sir Peter French, chairman of the council, said the results of the poll were a "very bad reflection" of standards now being kept in the industry.

He warned that the council was planning to urge builders to improve the situation.

But Mr. Andrew Tait, director-general of the council, said workmanship was declining in all UK industries and he did not think there will be any dramatic improvement, but we will try to bring home to people on the sites that they are building homes for other

ordinary people to live in."

Mr. Tait warned that companies guilty of bad workmanship could lose their registration with the council, which would make it hard to sell homes.

He reminded house builders that about 40 companies a year were expelled from the register because of poor standards, and that more could be removed unless good workmanship was maintained.

Among the reasons given in the poll for not buying another new house, 57 per cent said the amount of work required to be done on a new property was a major factor, while 19 per cent mentioned shrinkage and cracks, and another 15 per cent mentioned the poor finish and workmanship.

Three year TV film rule

EMI FEATURE films will be made available for television screening in the UK three years after cinema release, Mr. Barry Spinkings, chairman and chief executive of EMI Film and Theatre Corporation, said yesterday.

He said that EMI's policy of waiting five years before films were made available for TV here no longer made sense, and that the way films were marketed today

British air traffic to be checked

By Michael Donne, Aerospace Correspondent

A CENSUS of UK air traffic is to be held from June 23 to July 6 to help the Civil Aviation Authority plan the development of air traffic control.

During that period, every aircraft movement, civil and military, in UK airspace will be monitored and recorded as usual. But pilots will also be asked to provide further information than is customary, to create a more detailed picture of British aviation activity.

Extensive

It is estimated that in the period, up to 250,000 flights of all kinds will be monitored, from Concorde supersonic airliners down to balloons, bang-gliders and airships.

Software Sciences, of Farnborough, will carry out the extensive day-to-day arrangements for the census.

It is hoped that the census will enable the CAA to build up a clearer picture of future demands on British airspace and air traffic control facilities by providing much more detailed information than is normally required from aircraft. The results should help planning of better services and improve even the present high safety levels.

BAT to launch big advertising campaign

By Our Consumer Affairs Correspondent

A MAJOR advertising campaign for cigarettes is being launched next week in spite of uncertainty surrounding Government proposals for tougher curbs on tobacco advertising.

British-American Tobacco said yesterday that it had booked 2,000 poster sites to promote its State Express 555 brand. BAT launched State Express on to the UK market in 1978. The brand has captured about 4 per cent of the king-size cigarette market.

However, this still puts BAT well behind the market leader, Imperial Tobacco, which has about 54 per cent of the market, Gallahers with 28 per cent, and Rothmans with 14 per cent.

The BAT move was seen in the trade yesterday as an attempt to boost market share while current rules on cigarette advertising still apply.

Fresh talks are expected to be held shortly between the Department of Health and the tobacco industry on a new voluntary agreement to curb the amount of cigarette advertising. The existing three-year agreement on advertising expired last month.

Although both the industry and Government have been close to an agreement in recent weeks, the talks have become deadlocked.

It is still unlikely that statutory curbs on cigarette advertising will be introduced because of the detrimental effects to competition within the tobacco industry. But the longer

the delay on reaching a new voluntary agreement, the more likely is some form of legislative control.

The deadlock between the Government and industry appears to centre mainly on the size, wording and position of health warnings printed on cigarette packets and advertisements.

The Government wants the alleged dangers to health to be more forcefully put and to be printed on the front rather than the side of the packet.

The tobacco industry is resisting this firmly, although it is believed to have given way on the small amount of tobacco advertising still on television.

Another stumbling block to the successful conclusion of the negotiations is thought to be Sir George Young, the Department of Health junior Minister leading negotiations.

Sir George has repeated in recent weeks his implacable opposition to cigarette smoking. It is understood that he and other Health Department officials believe that the Government now has a good chance to make significant progress in reducing cigarette consumption.

A separate agreement on tobacco companies' sponsorship of sports is to be renegotiated with the Department of the Environment later this year.

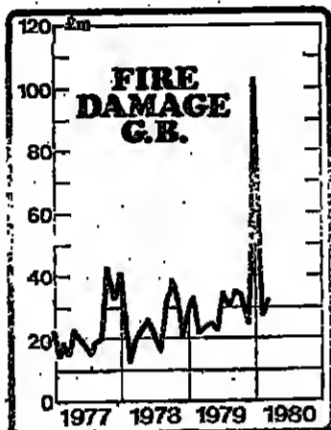
Fire costs up £5m

By Eric Short

FIRE DAMAGE costs rose by over £5m in March to £32.1m. There were six fires where damage exceeded £1m; the largest, at an electrical manufacturer in the South-East, caused £2m damage.

Damage costs for the first quarter of this year were £162.3m — nearly double the corresponding period last year.

The increases arises entirely from the major fire in January at the British Aircraft Corporation's warehouse at Weybridge — the most costly fire in the UK, which cost £72.5m.



Accountant's award

FINANCIAL TIMES REPORTER

MR. DONALD IRONSIDE, deputy chairman of the Meade Committee on tax reform, was yesterday presented with an award to mark his "outstanding achievement" as a member of the Institute of Chartered Accountants in England and Wales.

The award, The Founding Societies' Centenary Award, has been set-up this year to mark the Institute's centenary.

It is the brainchild of the district societies in Liverpool, London, Manchester and Sheffield, the present day successors to the various groups of accountants who founded the

Institute in 1890, and will be awarded annually.

Mr. Ironside, a former senior partner of a Bristol firm of accountants, has served on many of the Institute's committees dealing with taxation.

He is the author, or part-author, of three books dealing with taxation, but his outstanding contribution, according to the Institute, was as deputy chairman of the Committee on the Structure and Reform of Direct Taxation, known as the Meade Committee, which reported in 1978.

The award was presented by Mr. Edward Heath, MP.

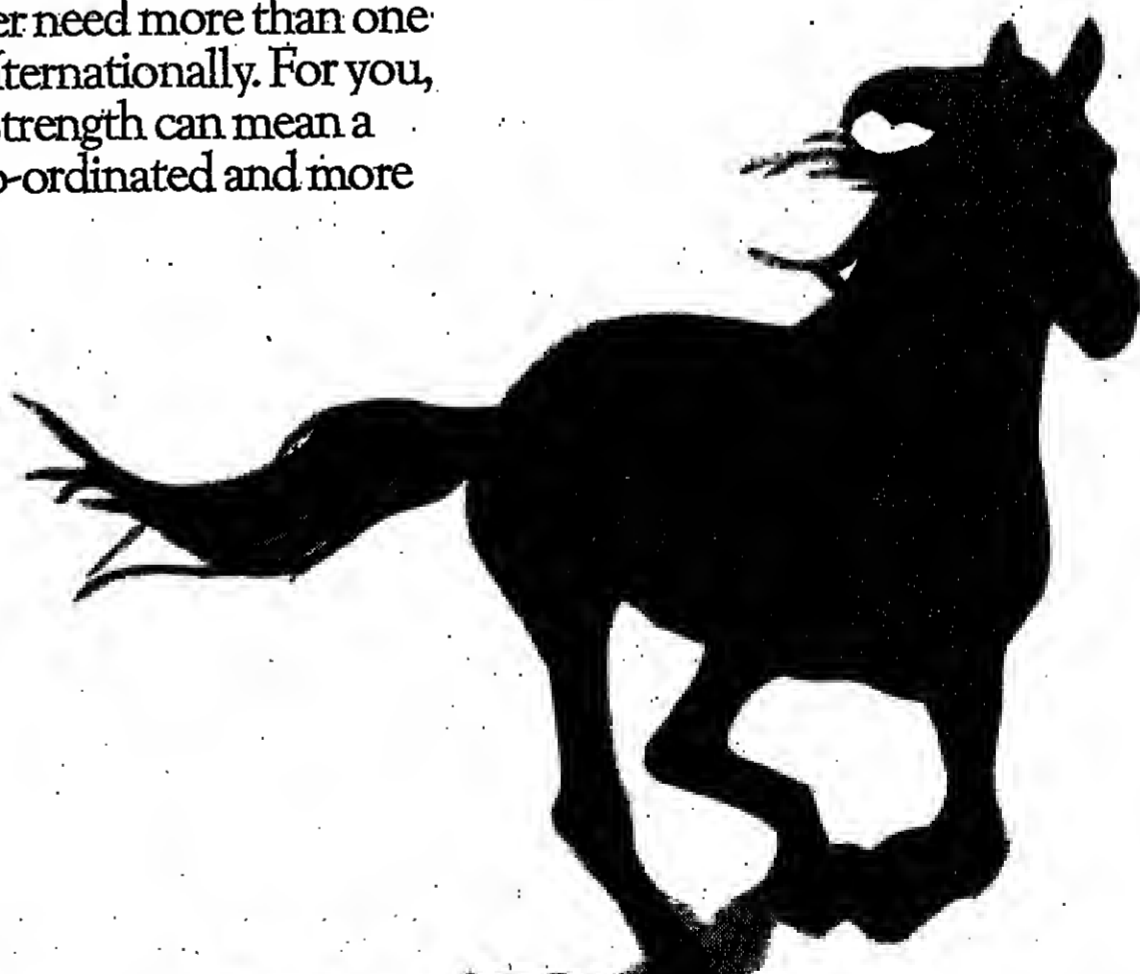
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consistent service. Customer creditworthiness, finance, advice on markets and opportunities — we can supply you with the facts and introductions you need to be successful overseas.

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Listed on the Amsterdam Stock Exchange. The Annual Report as of 31st December, 1979 has been published and may be obtained from

Pierson, Holding & Pierson N.V., Herengracht 214, Amsterdam

To the B-Shareholders of NOVO INDUSTRI A/S

Against delivery of coupon number two payment will be made of a dividend of 12% (less 30% dividend tax) for the year 1979.

Information on the special taxation rules applicable to shareholders resident in the United Kingdom or the Republic of Ireland may be obtained from the Company's office, Novo Allé, DK-2880 Bagsvaerd, Denmark or from Morgan Grenfell & Co. Limited, Registrars Department, 21 Austin Friars, London EC2P 2NB.

Payment will take place at Copenhagen Handelsbank, 2, Holmens Kanal, DK-1091 Copenhagen K, Denmark.

Bagsvaerd, 24th April 1980

Novo Industri A/S

Tenneco Inc
HOUSTON, TEXAS



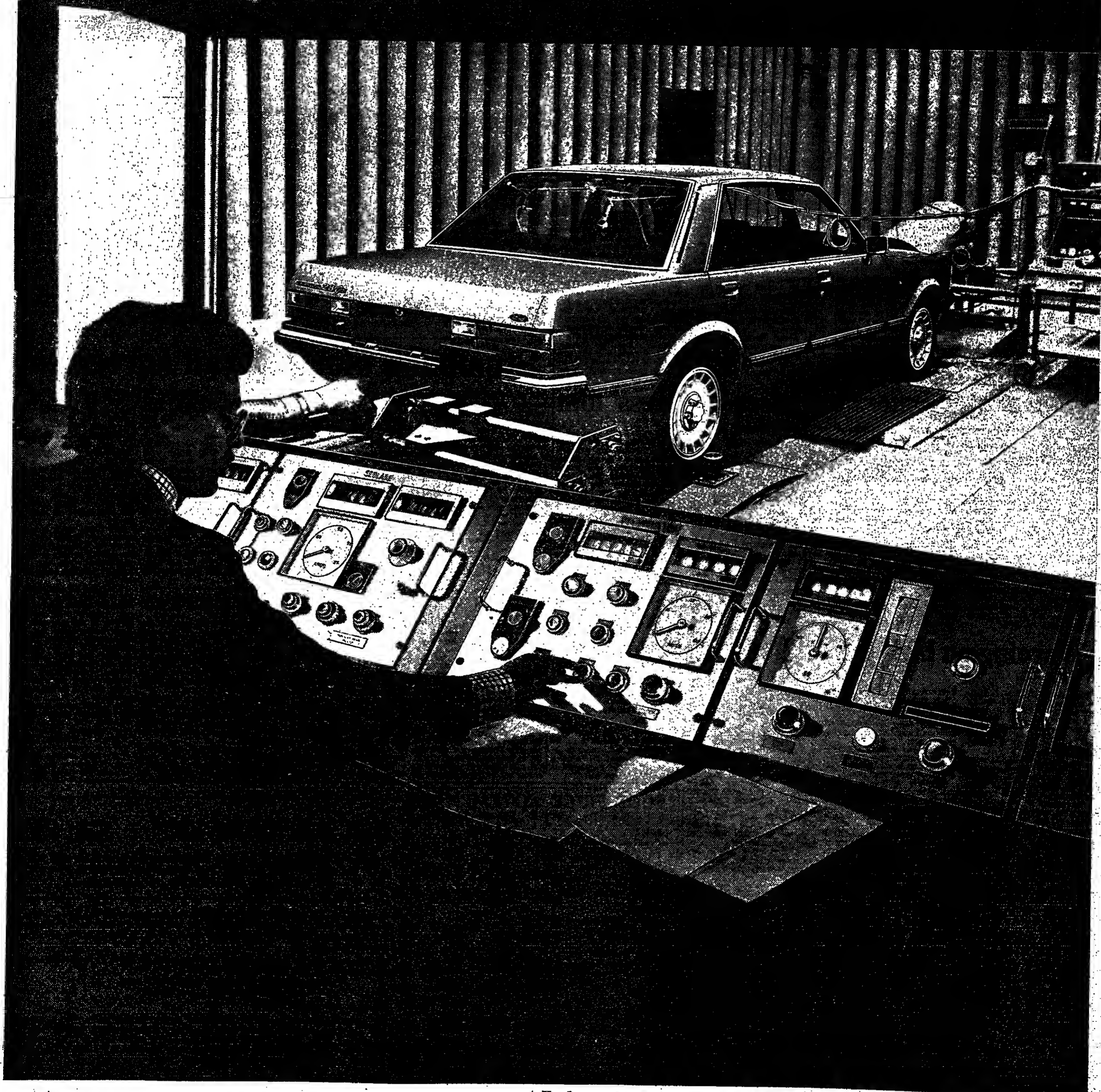
1980 is our 34th consecutive year of cash dividend payments

The 1980 second quarter dividend of 60¢ per share on the Common Stock will be paid June 10, to stockholders of record on May 9. More than 232,000 stockholders will share in our earnings.

M.H. COVEY, Secretary

Oil • Natural Gas Pipelines • Construction & Farm Equipment
Automotive Parts • Chemicals • Agriculture & Land Management
Packaging • Shipbuilding • Insurance

This man is listening to Mozart at 5000 rpm



A Ford acoustics engineer listens to music relayed from the car radio while a Ford Granada is tested at high speed on the rolling road. Why? Read the full story on the opposite page.

هكذا من العمل



New techniques in acoustic engineering make the Ford Granada quiet and relaxing at speed.

In engineering jargon there is a phenomenon known as N.V.H.

It stands for noise, vibration and harshness.

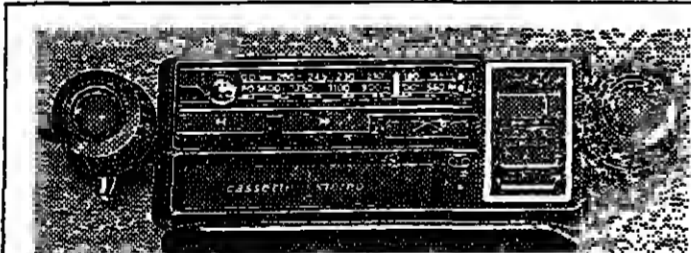
You can easily tell how badly your car suffers from N.V.H. by the volume at which you have to play your radio and the way that you feel after a long journey. It's very tiring.

The rudimentary cure is to fill the car with sound-deadening material. Everybody does this to some extent, even Ford.

But we believe that prevention is better than cure. After all, with the technology that we have at our disposal, there are more scientific ways of insulating you from N.V.H.

Let us tell you how the passenger compartment of the Granada is sealed off.

At the Ford design and development centre we have a room which is known as the anechoic chamber. It's here, on the rolling road, that our acoustics engineers explore new techniques in sound proofing.



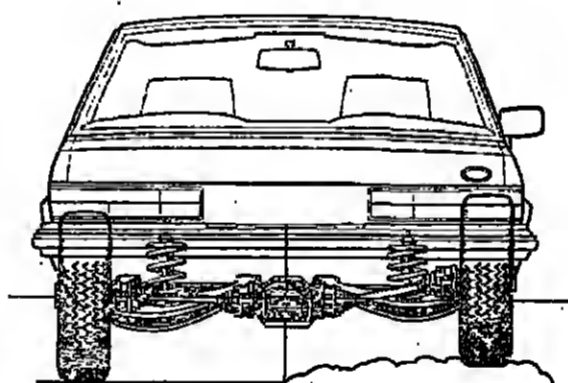
Mozart would have loved one

Having gone to such lengths to create a silent car, it is only right that you should have a brilliant sound system.

This set has four speakers, which you can balance from side to side and front to back, a push button stereo radio with electric aerial and a cassette deck. It is one of several options you can order in your Granada. We dare say it could compare favourably with the system in your living room.

The test engineer, opposite, is listening to music from the car's radio while the Granada is run at high revs. The car is wired to a series of electronic stethoscopes, strategically placed to relay the exact source of mechanical noises which "penetrate" the music. In this way we can detect and eliminate sounds on frequencies which are uncomfortable to the ear.

This kind of testing has led to the development of bearings that run more quietly, gears that mesh more smoothly and specially tuned rubber bushes to insulate the engine, suspension, differential and exhaust system from the bodywork. At no point is there any metal to metal contact between the passenger compartment of the Granada and any moving part, except via the gear lever.



The Granada's all round independent suspension is insulated from the passenger compartment by specially tuned rubber bushes.

The body panels, too, are examined for their acoustic behaviour to make sure that they don't transmit drumming or resonance. At high speed a badly designed body panel can vibrate like a tuning fork. If you're listening to the latest pop music on the radio you might not notice, but it could be a problem with Mozart.



Wind tunnel testing has developed new materials for window and door seals. Windows on Ghia models are electrically operated, of course.

And testing in our wind tunnel, which can create 110 mile an hour gales, has practically eliminated wind roar around the door and window seals. Next time that you see a Granada, look at the smooth detailing around the windscreen pillars. (This kind of streamlining helps with fuel consumption too.)

The fact is that N.V.H. was designed out of the Granada from the drawing board upwards. It even influenced the choice of engines. The motoring press were quick to appreciate the smooth performance of the Granada's V6, an inherently well balanced configuration, and the Granada's safe, decisive handling.

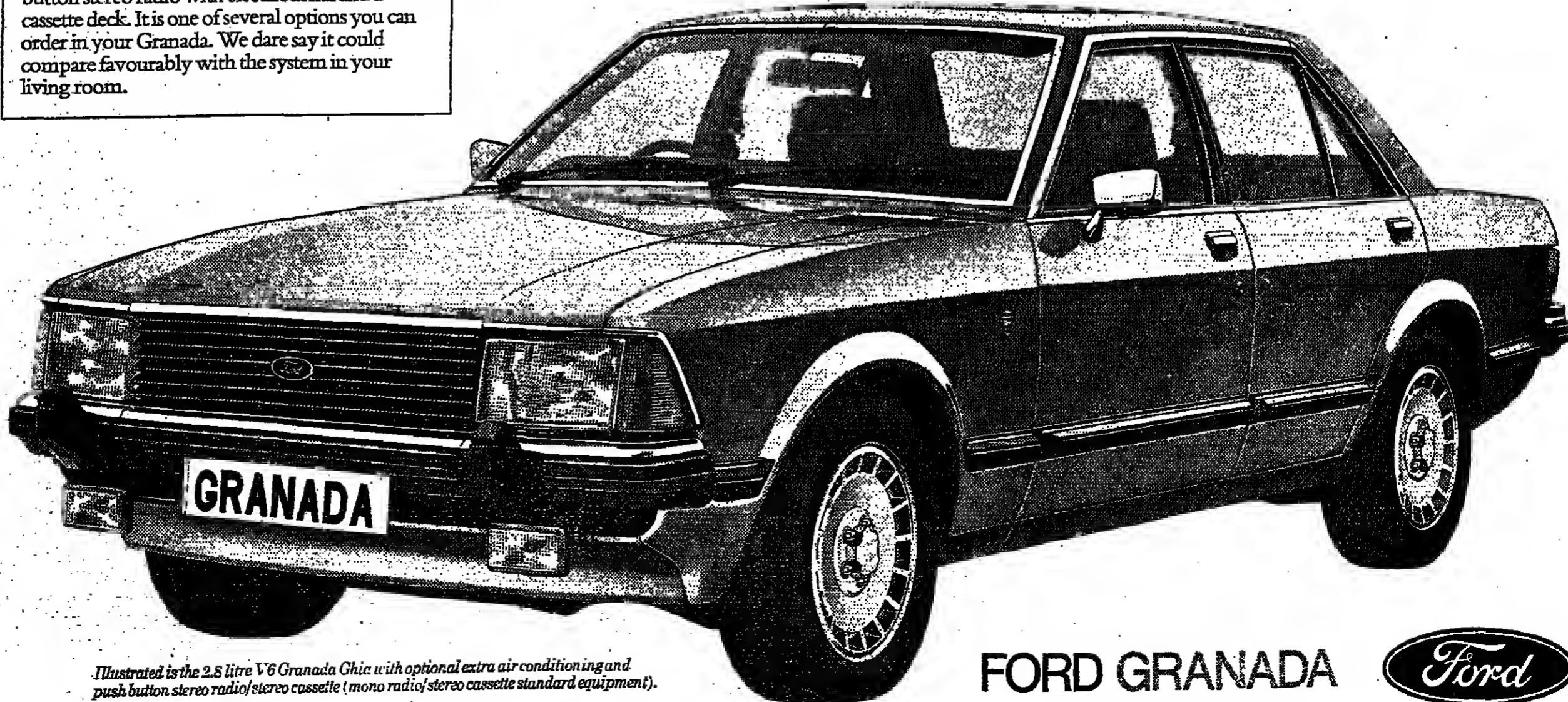
Why not ring your local Ford dealer today and arrange for a test drive.

You'll be quietly impressed.

| Engine size (litres) | Max Speed (mph)* | 0-60 mph secs* | GRANADA PRICES |
|------------------------------------|------------------|----------------|----------------------------|
| 2.0 L (manual) | 102 | 11.1 | Granada L from £5719 |
| 2.3 L (manual) | 107 | 10.2 | Granada GL from £7693 |
| 2.8 GL (manual) | 114 | 9.5 | Granada GLS from £8891 |
| 2.8 Ghia (automatic) | 109 | 11.3 | Granada Ghia from £9050 |
| 2.8 Ghia S fuel injection (manual) | 120 | 9.0 | Granada Ghia S from £10056 |
| 2.1 Diesel (manual) | 85 | 22.5 | Granada Diesel from £6180 |
| | | | Granada Estate from £6330 |

*Max. in-mph prices as at February 4th 1980. See below, car tax and VAT included. Delivery and number plates at extra cost.

*Ford computed performance data for saloon models.



Illustrated is the 2.8 litre V6 Granada Ghia with optional extra air conditioning and push button stereo radio/stereo cassette (mono radio/stereo cassette standard equipment).

FORD GRANADA



Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

COMMUNICATIONS

Big optical fibre programme

AN EXTENSIVE laying programme for new optical fibre communications throughout the UK—some 15 routes in all—has been announced by the Post Office, involving an expenditure of £6m.

When completed at the end of 1982 the network will be the most comprehensive of its kind in the world states the Post Office. Some 280 miles of the cable will be used, containing a total of 2,200 miles of fibre in multi-strand designs.

Depending on the traffic carried by the various routes, the systems will transmit digitally at rates of 3, 34 or 140 megabits/sec. The three high density routes will link Colchester and Basildon, Basildon and London, and Reading and London.

There will be a number of operational advantages for the Post Office in using these systems. The 140 Mb/s systems for example require regenerator (amplification) units at intervals of 8 km compared with the more expensive 2 km intervals needed for an equivalent 12 Mhz conventional analogue coaxial cable system.

Furthermore, a pair of these fibres is able to carry up to 2,000 telephone calls, and potentially many more. The cables used in the network will contain eight fibres, permitting 8,000 calls, but their diameter is only 10 mm whereas the rough equivalent in coaxial cable has a diameter of 35 mm. The fibre cables are much easier to handle and will need less underground duct space.

A number of companies are involved in the supply of cable and equipment. BICC has teamed up with Plessey, the latter making equipment, while

Telephone Cables is working with the General Electric Company in a similar agreement. Standard Telephones and Cables is also heavily involved and is supplying two of the three high density routes, GEC/TCL providing the other.

Fibres used in these systems will be mainly of the graded index variety and a low loss type with an attenuation of less than 4 dB/km will be used on the long haul routes.

These systems will form part of the growing digital transmission network being set up in Britain as the essential forerunner to the uninhibited introduction of digital electronic exchange systems: since

With such systems set up, the door is opened to the transmission of a wide variety of information including audio phone calls, television and facsimile signals and computer data, at a speed and quality that is generally not obtainable with current systems. GEOFFREY CHARLISH

HAND TOOLS

Grinds metal or stone

OFFERED FOR a range of jobs from metal removal to concrete and stone-cutting is a vertical hand grinder from CompAir Industrial, PO Box 7, Broomwade Works, High Wycombe, Bucks (0494 21181).

The pneumatic tool is powered by a 2½ hp motor and comes in three versions giving operational spindle speeds of 8,500, 6,000 and 4,500 revs a minute. It has an exhaust silencer device said

INSTRUMENTS

Watch as thin as a wafer

ANYONE WITH a mere £10,000 to spend on a wrist watch will take a keen interest in an announcement from ETA in Switzerland of the thinnest watch to be produced so far.

With the extraordinary name of Concord Delerium IV the watch is only 0.88 mm thick, with a width of 24.5 mm and a length of 28.6 mm. It has backplate of solid 18 carat gold in which cavities are machined to take the units of the movement.

Everything has been miniaturised to what appears to be the ultimate degree. The driving quartz crystal is only 5 mm long and the associated tuning fork a mere 1.45 mm. Resulting accuracy is to within ten seconds a month. The stepper motor that drives the "hands" (actually discs with hands engraved) is 14 x 5 x 0.7 mm high while the tiny silver oxide battery that powers the whole unit and lasts for a year is only just under 7 mm in diameter and has been specially designed for the watch.

The company has had to develop "a new generation" of production equipment to yield the closest tolerances yet needed in watch production.

Marg from the Swiss Centre, 10 Wardour Street, London W1V 3HG (01-734 7617).

MAINTENANCE

Water jets speed cleaning

HIGH PRESSURE water jetting is used in a wide range of industries for cleaning and maintenance and local authorities also have a constant use for such systems.

Harben Systems, now announces its most powerful pump unit to date, the Century 1010DT—three times as powerful as its existing pump range and now available from the company at Watt Road, Churchfields, Salisbury (0722) 25424.

Increased performance of the newest system means that it can be used for heavier duty work, such as that undertaken in ship care, petrochemical industries, etc., but, by simply changing nozzles on the pumps, flow and pressure variations are instantly possible.

HANDLING

Loads, lifts and grapples

AGRICULTURAL machinery specialist Sperry New Holland is moving out of its established farming markets with the introduction of a new skid-steer loader for the construction, industrial, municipal authority and plant-hire customers.

There are two versions—31 hp L-445 and the 50 hp L-775—each having the ability to handle a wide range of materials and duties with the use of a variety of attachments.

Loading buckets, forks, grapples, blades, augers and a backhoe with three sizes of trenching bucket are included in the attachments.

A quick attachment plate allows a nearly vertical lift path changes without the operator having to leave his seat. Hydraulic attachments and the backhoe are also speedily connected or disconnected.

Extendable weighbridge

SECTIONS MEASURING 6 x 3 x 0.28 metre can be clipped together to construct weighbridges of various lengths up to 24 metres in a new Weights and Measures approved system from Solitide.

Introduction of the equipment, known as Lynx, means that customers can make an initial investment in say, a 12 metre unit and extend it in the future to meet increased demands in either capacity or platform length.

The only other requirement is for a concrete foundation slab. Lynx can be transported with the aid of a small crane or fork-

The unit can also be used to supply the power for Harben's existing range of water jetting accessories, including submersible jet pumps, drain jetting equipment, and the Hoyerclean (which removes oil and impenetrable dirt from large areas of concrete, hardstanding and other surfaces).

Unit is powered by a Perkins 6.354 water-cooled diesel engine and mounted on a fully-equipped fast-tow, four-wheel trailer.

Using the same principle, but offered for the efficient clearing of long runs of heavily silted large diameter pipelines is the Rior ED65 jetting trailer introduced by Wards Flexible Rod Company, 10, Cleave Avenue, Farnborough, Kent (0694 55774).

This promises to clean sewers up to 18 in diameter at reduced

man hour costs and minimal fuel costs. It has been developed to produce more flow of water and, says the company, at a higher pressure than other comparable machines.

It also incorporates a hydraulically retractable hose—this is because of the increased pulling power of the retro jet which would make manual retraction unduly laborious.

Power is supplied by an 18.5 hp twin piston Hatz diesel engine which also operates the hydropump that drives the hydraulically retractable hose reel.

System is available as a trailer on a torsion suspended chassis that is fitted with a reversing jockey wheel to facilitate hand manoeuvring, and meets all MOT requirements.

SECURITY

Deters the vandals

SIMPLE, EFFECTIVE and inexpensive deterrent to vandals is offered in the form of security fencing from Speedwell Gear Case Company, Tama Road, Witton, Birmingham.

Called the Protector, it comprises a modular system of steel frame and mesh units which can be assembled by two people in a few minutes.

There are two sizes—seven by seven feet and seven by three feet six inches.

Each unit in the system is bitumen-dipped for protection against the elements and can be galvanised at extra cost.

PROCESSING

Mixes the sand

BY PROVIDING the foundryman with the facility to make an instant change of sand or process, a mixer developed by Baker Perkins is claimed to widen greatly the work that can be undertaken by one mixer.

The company's new "Omega" multi-sand articulated mixer, a screw-type machine, allows selection from a very diverse range of sands to be made without risk of cross-contamination. Sands that can be used are zircon, silica, chromite, olivine or reclaimed.

More details from Baker Perkins, Westwood Works, Westfield Road, Peterborough PE5 6TA (0733 262000).

LUBRICATION

Problems of friction

TRIBOLOGISTS AND reporters on technology happily accept that the average industrialist and the man on the Clapham omnibus have the faintest idea of what is meant by tribology. Short answer is that it is mainly concerned with the friction, lubrication and wear of moving parts in machinery.

Regular readers of this daily Gideon guide to industry may remember that we honoured an eminent Victorian engineer, Beauchamp Towers, just over a year ago who, apart from being fatally knocked off his bicycle on a visit to his mother, was asked by the Institution of Mechanical Engineers to investigate friction between bodies moving at high velocities, etc.

Well, it was only in 1968 that the Industrial Tribology Centre was formed. It was established at Leeds University, and was one of the first independent industrially-orientated organisations to be set up by the UK Government to capitalise on existing knowledge and draw on the experience of Mr. Towers and others to effect a worldwide reputation in this specialised field.

Operating on a commercial basis, its intention is to serve industry at all levels with expert tribological advice—in other words, provide the right information for the job in hand at a minimum cost and within a specified time.

Prime aim is to increase efficiency and help reduce production costs by preventing breakdowns caused by wear and tear of materials and machinery failure.

The centre provides a world-wide service. (Its 300 member companies pay as little as £80 each a year for a limited amount of consultation) and



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now plans an increase in the number of consultancy staff, as well as a steady investment in new equipment to further enhance the testing and measuring facilities available to industry.

It presents commercial exhibitions once every two years; and Tribology International '80 will take place this year on September 16, 17 and 18 at Bodington Hall, Leeds—details from Don Mitchell, Industrial Unit of Tribology, Department of Mechanical Engineering, University of Leeds (0532 31751).

Because the south-east of England is badly served by tribology centres, there will be two one-day awareness events at the Institution of Mechanical Engineers in London, "Lubricants and their cost effective use" (November 27) and "Getting the best out of bearings" (December 4).

Over the next decade, industry will steadily turn to more and more automation and, because tribological aspects of automation are vital to maintain the necessary high degree of reliability, the Leeds unit has set its sights on coping with this aspect of the industrial scene, as well as with tried and other new processes. Hard times industrially, says the centre, can become boom times for the sponsored R and D output, especially when specialist experience is needed.

DEBORAH RICKERING

DATA PROCESSING

Data display terminals

FOR USE with the 8000 series of computers, NCR has launched the first in a new family of data display terminals—the 7900 Model 1.

Utilising a green phosphor 12-inch screen the terminal operates in asynchronous mode at rates up to 19.2k baud. Communications speeds as well as modes of transmission can be selected by the operator or can be changed remotely by a host computer.

The typewriter-style keyboard includes a special function key as well as a standard adding machine style keypad which can be changed to a telephone style keypad at the customer's option.

Up to 96 function codes can be generated by the user for special data handling; productivity is claimed to be 70%.

Power consumption is particularly low at 40 watts, obviating the need for a cooling fan and the unit is said to be quieter than many other terminals in general use. It occupies 17½ x 20 inches of space and weighs 25 lb, making it, claims NCR, one of the lightest and most compact data display terminals in the industry.

More from 206 Marylebone Road, London NW1 (01-723 7070).

A good start to a productive day!

Good working conditions are a big factor in improving industrial relations and productivity. And providing facilities to safeguard employees' personal belongings are a big move in the right direction. That's why so many companies install Helmsman Lockers.

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Northern Way, Industrial Estate, Bury St Edmunds, Suffolk. Tel: (0284) 2812. Telex: 817359



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Answers for the 80's

LET'S FACE IT. Today, we're all developing countries!

In addition to a substantial amount of financial and operating data, our 1979 Annual Report—now available in English—makes two points we would like to amplify:

• As a supplier of systems and equipment for the generation, transmission and application of electric power, ASEA is not committed to a single technology.

We are concerned with the end product, energy. ASEA is already producing equipment that harnesses energy from many sources, nuclear, thermal and hydro power.

• The energy requirements of the developing countries are growing more rapidly than those in developed countries. And this should help our business because we are strong in many developing regions.

In evaluating world needs for energy, and the alternate sources of supply, we should avoid making distinctions between "developing" and "developed" countries. Where energy is concerned, we are—with few exceptions—in the

same boat. We don't have immediate access to enough of it, in the right form, or in the right place.

Today, we are all developing countries, moving from old ways of living and working to new ones. We all need new approaches, open minds.

We can learn—or relearn—how to use resources wisely. We can build better machines and operate them more efficiently. We can mobilize creative, imaginative human drives more productively.

The oil crisis is requiring basic adjustments. But it is not going to mean the end of the world. We have lived with oil as a primary source of energy for less than a century. We developed without it for thousands of years before that.

No country or civilization is ever fully "developed." Development is a journey, not a destination.

In many developing areas of the world and in its most sophisticated centres, ASEA solutions of energy problems are providing a strong base for economic growth and social progress.

| Condensed Data (Sterling amounts in millions except "per share.") | | |
|--|--------|--------|
| | 1979 | 1978 |
| Sales | £1,275 | £1,058 |
| Orders | 1,495 | 1,076 |
| Operating earnings | 47 | 46 |
| Net profit | 21 | 21 |
| Profit per share | 1.00 | 0.95 |
| Profit per share* | 1.60 | 1.30 |
| Unpaid reserves | 263 | 270 |
| Assets | 1,753 | 1,664 |
| Shareholders' equity | 237 | 221 |
| Order backlog | 1,956 | 1,622 |
| Capital expenditures | 55 | 48 |
| Shareholders | 81,000 | 82,000 |
| Employees | 43,404 | 43,071 |

* According to equity method. Sterling amounts translated from Swedish kronor at December 31, 1979 rate: £1.00 = SEK 9.28.

We don't ask whether a customer is part of a "developed" or "undeveloped" society.

We ask what the energy problem is. And we try to solve it efficiently.

If you would like to know more about ASEA, its problem-solving capacity in the energy field, and its performance in 1979, write today for a copy of our Annual Report.

ASEA

Group office: Stockholm, Sweden

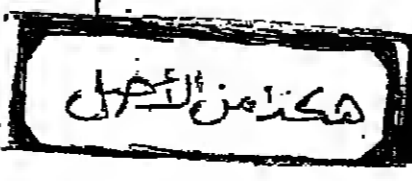
In the United Kingdom

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SYSTEMS AND PRODUCTS FOR POWER, TRANSPORTATION, MINING, INDUSTRIAL PRODUCTION, MATERIALS HANDLING AND PROCESS CONTROL



20 QUESTIONS.

When you bought your present car, were you pleased to see it had power-assisted steering?

Did you warm to a lively 2-litre engine? And a 5-speed gearbox?

Was it a hatchback that caught your eye? Were you tempted by 33 cubic feet of load space?

Did you notice it had electro-magnetic centralised door-locking? And electric front windows?

Were you quite certain it had a twin-choke Weber carburettor?

Were there internally adjustable headlamps? Tinted glass?

Perhaps you were offered the option of an electric sunroof? And automatic transmission?

Doubtless you appreciated the positive feel of front-wheel drive? The evenness of front and rear anti-roll bars?

The smoothness of all-round independent suspension?

Were you impressed by the luxurious accommodation for five?

Did you spot side window demisters? A laminated windscreen?

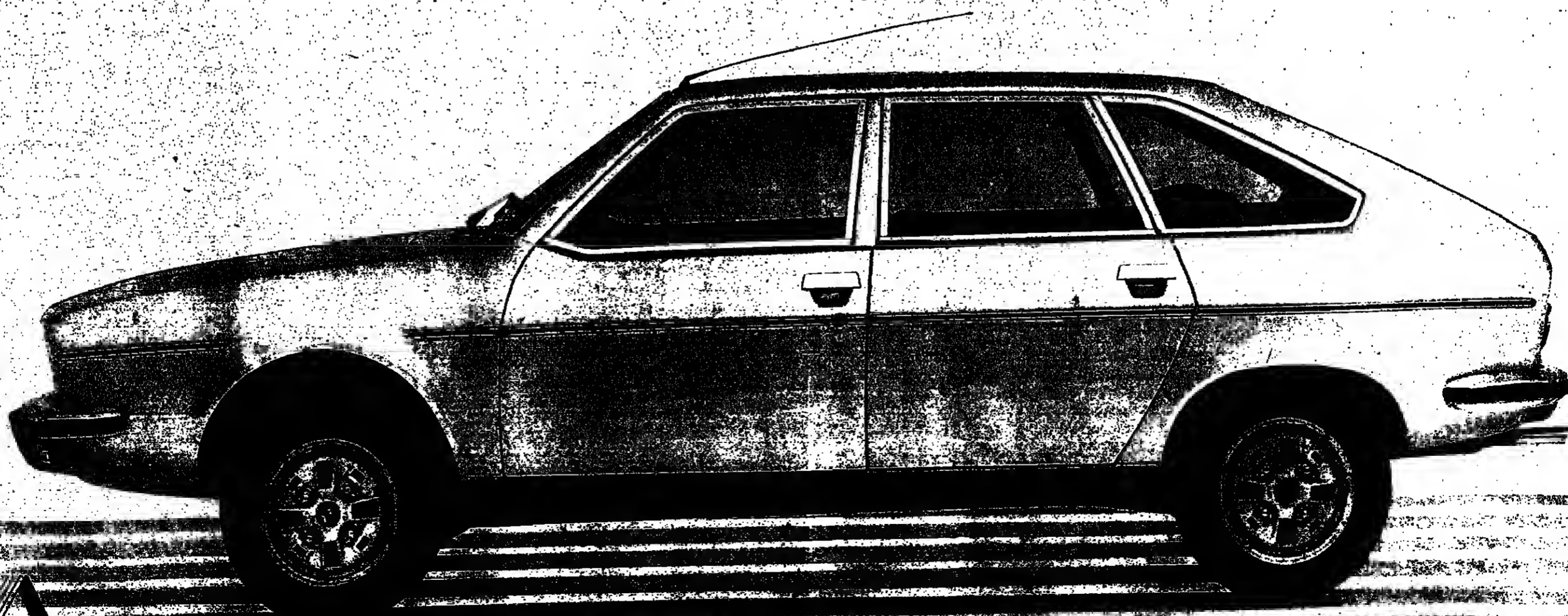
Were you surprised to hear the car would only cost £6,668?

Did you answer 'yes' to all these questions?

If you did, you bought one of these.

RENAULT 20TS

Top of a range of 3 cars.



The Renault 20 range of 3 models includes the 1650cc Renault 20 TL from £5,490, the Renault 20 LS from £5,950 and the Renault 20 TS (featured) from £6,668. Prices include 15% VAT, Car Tax and Seat Belts. Number Plates and Delivery extra. (Prices correct at time of going to press.) For details of fleet sales, business and professional leasing or a brochure, write to Renault UK Ltd., PO Box 2, London W3. For export details write to Renault UK Ltd., Western Avenue, London W3. Ask any of our 460 dealers about low rate Renault Loan and Insurance Plans. West End Showroom 77 St. Martin's Lane, London WC2. Renault recommend **elf** lubricants.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A minnow takes a bite at the big fish

William Hall looks at DRF, the latest combatant in the Channel ferry price war

Ole Lauritzen does not like to think of himself as the black sheep of J. Lauritzen, Denmark's famous shipping family, but he admits to being a bit of an outsider.

It was his grandfather who established the family shipping business in 1888 and this has grown into one of Denmark's largest shipping groups. Ole's father, Knud, continued to run the family shipping empire and also managed DFDS Seaways, one of the biggest North Sea ferry operators.

However, although his sister is still involved in the family business, Ole Lauritzen has always pursued his own private shipping ambitions. He bought his first ship in 1955, the year of the boom in freight rates at the time of the Suez crisis, made a lot of money in a very short time and was able to afford another couple of ships. Ever since then Ole Lauritzen has been buying and selling ships, but he has never really hit the big time.

However, if Ole Lauritzen's latest venture takes off, he could become as well known to cross-channel ferry travellers as Sir Freddie Laker is to air travellers.

Ole Lauritzen firmly believes that current cross channel ferries are too expensive and the tariff structure far too complicated. Next month his new company, Dunkerque Ramsgate Ferries, will start operating on what has often been described as the most expensive stretch of water to cross in the world. At the moment around 10m passengers a year cross the channel by the short sea routes. Lauritzen believes that this can be doubled to 20m without too much trouble.

To make his point he will be undercutting all the other ferry and hovercraft operators and he

has scrapped the complicated fare structure. Dunkerque Ramsgate Ferries will charge a standard rate for cars of any size.

In addition, Lauritzen is pinning his faith on an untried cross-channel port - Ramsgate. Admittedly Hoverlloyd, which operates four hovercraft between Ramsgate's Pegwell Bay and Calais will be a competitor for tourist, but not commercial, traffic. However, Lauritzen's prices for a family of four plus car are nearly a third lower than Hoverlloyd's in the peak season.

Lauritzen's real competition will come from the conventional car ferry operators based in Dover, which boasts a magnificent harbour. It has proved virtually impossible for a brand new ferry operator to break into the Dover-based market since almost every berth is earmarked for Sealink, Townsend and P & O.

Lauritzen plans to overcome this obstacle by investing in a new £6m ferry terminal at Ramsgate. Lauritzen and Thanet Urban District Council are splitting the bill.

Ole Lauritzen has always been keen to break into the short sea cross channel market because this is where the real money lies. A passenger pays as much for a trip between Dover and Calais as between Dover and Zeebrugge - over three times as far. Similarly it only costs 8 per cent less to take a car from Dover to

Calais as it does from Southampton to Le Havre, although it is over five times the distance.

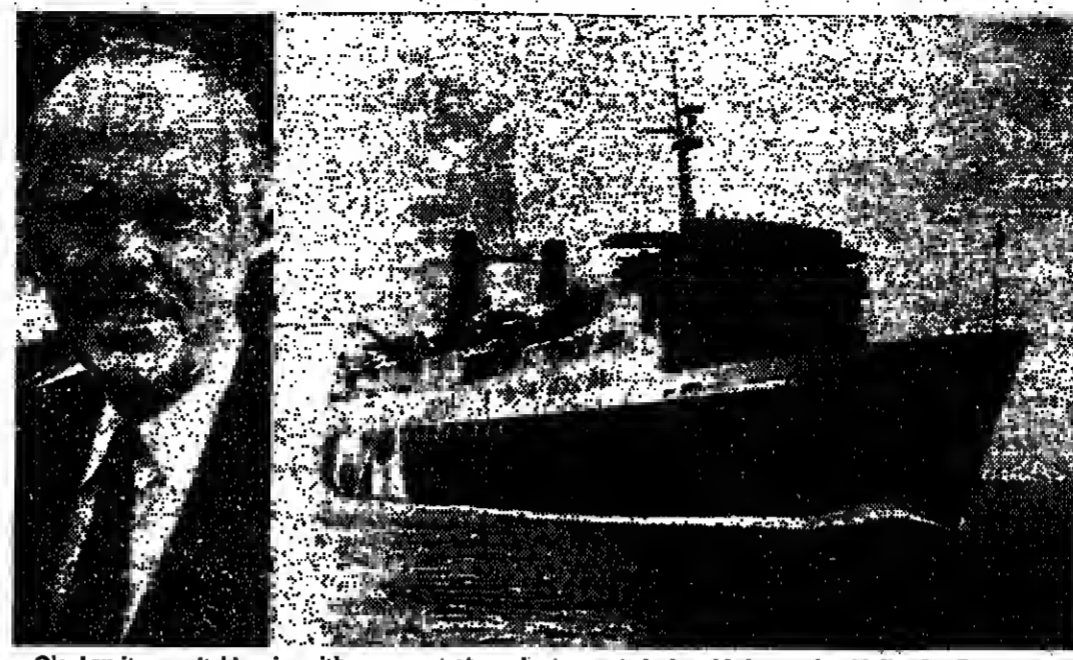
Townsend Thoresen's new generation of jumbo ferries, for example, can make up to five round trips a day on the Dover-Calais run while its ferries on the longer Southampton-Le Havre route make only one round trip a day.

Much higher utilisation on the short sea routes (Dover/Folkestone-Calais/Boulogne) gives the ferry operators much better returns. Instead of 2,500 passengers a day a ferry can carry 12,500 passengers. This leads to more intensive use of duty free, bar and restaurant facilities which are probably the single biggest source of profit on the cross-channel ferries.

Lauritzen's enthusiasm for the short sea routes is based on his knowledge of Scandinavia, where ferry travel is a way of life and fares seem ridiculously cheap by Anglo-French standards.

On a 2½-hour crossing between Denmark and Germany the passengers pay £5 return and a car costs £16 return. On shorter Scandinavian routes, fares are lower still. Between Copenhagen and Landskrona in Norway - a 1½-hour trip - the return fare for passengers comes to £1 and for cars it is £2. On the 1½-hour crossing between Dover and Calais the standard return fare for passengers is £19.80 and for a medium sized car it is £33.80.

British operators such as Sealink and Townsend Thoresen argue that comparisons with Scandinavia are unfair. The cross-channel market is dominated by tourist traffic



Ole Lauritzen: pitching in with a new strategy, but a relatively old boat - the Nuits St George - to attract passengers

concentrated in the four summer months. The ferries still have to run during the winter months when hardly any one travels and so have to charge higher prices to cover their off-peak expenses. Scandinavian traffic, it is argued, tends to be much less cyclical.

While Lauritzen admits that there is some truth in this argument he does not feel there is enough to justify the current disparity in prices. The spectacular growth in all year round commercial traffic (now contributing roughly half the ferries' profits) has substantially reduced the cyclical nature of the business.

Dunkerque Ramsgate Ferries

is not Ole Lauritzen's first venture in the UK-Continent ferry market. Olau Line, his Danish holding company, started operating between Sheerness in Kent and Flushing (Vlissingen) in Holland in 1973. He started with one ship, Olau West, and one sailing a day each way but demand built up so rapidly that a second ship, Olau East, was soon brought in, and in the first year Olau Line carried 220,000 passengers.

Lauritzen's tactics then were remarkably similar to his current approach. He picked an unused port and ferry prices were slashed to attract custom. But within months the road to be raised because costs rose faster than anticipated. Lauritzen is confident that he will not make the same mistake again.

The two original ships were replaced by larger vessels, Olau Kent and Olau Finn, in 1976 and traffic doubled. Lauritzen then started operating the Olau West on the Sheerness to Dunkirk run in early 1977 but this ran into trouble because the French unions would not accept a Danish flag ship and the service was terminated in September 1977.

By then Olau's Sheerness-Flushing operation was carrying around 0.5m passengers and 60,000 cars a year and traffic seemed to have reached a plateau. At about this time a German ferry company, TFL Line, of Hamburg, which had been wanting to break into the UK market took an interest in Olau Line's Sheerness-Vlissingen operation. Ole Lauritzen sold out for about £5m and decided to turn his attention to the short sea routes where he believes there is far more growth potential.

Thanet District Council had already decided to try to attract more commercial traffic to Ramsgate before Ole Lauritzen showed interest. Over the past few years Volkswagen has been the port's major customer, using it as the unloading point for all its motor vehicles bound for the Southern UK market. The transition from importing new cars to becoming a fully fledged car ferry port seemed a logical move.

Other ports along the coast have always been envious of Dover's spectacular success in capturing over half of all the roll-on/roll-off traffic. It was inevitable that it would some day spawn an imitator. Ramsgate is as close to London as Dover and Dunkerque is closer to Paris than Calais. On the other hand Ramsgate will never be able to host a harbour like that of Dover's Admiralty-built one.

It has had to reclaim 20 acres of land and dredge a 1½-mile channel to the 10/10 berth. Even so there are some rival operators who believe that Ramsgate is still too exposed and may have to close down in really bad weather. In addition the new channel may need to be expensively dredged if the ferry is to operate all the year round. Ramsgate disputes this slur on its character. However, it is clear that for both Ole Lauritzen and Thanet District Council, the new service is a major gamble.

Ole Lauritzen, in particular, is playing for high stakes. He is starting the service with just one ship initially, and is taking the risk that it will not break down since there is no obvious back-up. Any interruption in the service would damage his credibility. In addition, his

ferry is hardly purpose-built for the route.

The 1966-built ex-Sardinian ferry, the Nuits St Georges, is relatively older and smaller than many of the other ferries operating on the short sea cross channel routes. It can carry 1,250 passengers but only 170 cars (less than half the capacity of the new Sealink and Townsend ferries). In addition, it is equipped with 420 cabins which are hardly necessary for a two hour crossing. The latest ferries on the Channel have replaced cabins with much bigger duty free selling areas (a major profit centre) and larger restaurant facilities, so as to maximise their revenues on the short sea crossings.

Dunkerque Ramsgate Ferries is also labouring under another big disadvantage. To gain the acquiescence of the French unions it has to agree to operate a French flag and French crewed ship. Lauritzen believes that his crew costs are 40 per cent higher than those of his UK rivals, which explains why there are so few French ferries on the Channel. Given that labour accounts for about a third of a ferry's operating costs this is a big obstacle. However, it is one of the prices that Lauritzen has to pay to get an entry ticket to Dunkerque.

Finally, Dunkerque Ramsgate Ferries faces a number of commercial difficulties in getting itself accepted as a major force on the Channel. It has entered the market at a time when the major operators (Sealink, Townsend Thoresen and P & O Ferries) are locked in a major price war.

Pooled fare revenues

Until this year the two biggest operators, Sealink (part of British Rail) and Townsend Thoresen (part of European Ferries) charged the same fares and pooled their passenger revenues. Tickets were interchangeable and at peak periods passengers travelled on the first ferry available.

However, this practice broke down at the beginning of this year. Sealink, which is trying to shake off its rather sleepy image, argued that the pooling arrangement worked in favour of Townsend, and the latter says that because its three new ferries are faster than Sealink's, the pooling arrangement is no longer satisfactory. As a result a major price war has broken out on the Channel.

All of them have been investing heavily in advertising, and given the size of their budgets it will be difficult for

Dunkerque Ramsgate to establish itself. However, Ole Lauritzen is confident that despite all the difficulties, he can make his mark on the Channel. Whether he can make a profit is still another matter.

His confidence is based on two points. Despite the recent price cutting his peak season fares still look the cheapest (though this could change) and they are certainly the simplest. This reflects the Scandinavian influence.

Lauritzen has abolished the complicated fare structure based on different lengths of car. As far as Dunkerque Ramsgate Ferries is concerned a car is a car, whatever the length - a Rolls Royce travels for the same price as a Mini. By contrast, Sealink has traditionally charged twice as much for very large cars as for small cars. It cut its prices for large cars earlier this year, even so they are still charged a third more than small cars.

Other operators would dearly like to follow Lauritzen's lead, but until now they have been worried about offending the motorising consumers who had insisted that small cars should pay less than big cars.

Nevertheless, there are signs that the big ferry operators are beginning to come round to this way of thinking and in the off-peak periods they have been offering standard rates for cars of any length.

The other area where DRF hopes to score is in the simplicity of the fares themselves. A car costs £18, a passenger £3 and a child £4 (all single fares). On just nine summer weekends the car price rises to £26 but the rest of the fares stay the same.

Sealink, far simpler than the tariff structure of other ferry operators, and could prove a valuable advantage in winning the support of harassed travel agents who are having great difficulty keeping pace with the changing fare structures of the other operators.

Finally, DRF plans to market a series of "Channel hopper" bargains aimed at the 1.5m holiday-makers in the Kingdom. These "Discotheque Critique" bargains, which to a French restaurant and Sunday tea-dances will be organised to fill up the Nuits St. George during the off-peak periods. Although other operators have started to experiment in this way, Lauritzen's plans are more adventurous.

The new service will begin on May 15 and the Nuits St. Georges will make three round trips a day. Lauritzen is not going to make a great impact initially. His capacity amounts to about 10 per cent of the peak market.

However, he would like to add a second ferry next year and, double up the number of crossings to 12 a day. At this sort of level he will start to present a serious competitive threat to the big ferry operators generally and high cost hovercraft operators.

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Insuring employees for legal costs

BY ERIC SHORT

AS A nation, the British are reluctant to make use of the legal system. Among the principal reasons for this are that, first, people are frequently unaware of their legal rights and, second, they are frightened by the prospect of heavy legal costs if they do press ahead with a case.

On the Continent there is fairly widespread use of legal expenses insurance to offset fears of expensive legal bills. In the UK, though, such insurance remains substantially undeveloped. In the five years since a company called DAS began offering legal expenses cover barely a handful more operators have moved into the field.

Now, however, a fresh concept has been introduced whereby employers can offer legal expenses insurance to employees as an employee benefit.

Last month, Hambros Bank established Hambros Houseley, which provides such a facility for employees. The new company's prime role is to provide legal expenses protection for employees - the state of legislation in recent years, on employment protection, product and other liability and consumer protection has exposed employers to a wide

range of potential legal action. But as a by-product to this scheme, similar cover is provided for employees.

The employer can detail the nature of cover provided for employees. Alternatively, the insurance can be arranged by either directly through their trades union or staff association or through their professional body.

Another scheme, drawn up by Industrial Relations and Personnel Consultants, provides a benefit directly for employees with the object of giving them a facility of professionally qualified legal advice at a low cost to the employer.

For employees, the prime benefit of both companies' schemes is the free legal advice offered. Employees can telephone at any time of the day or night and discuss their problems with qualified staff as to the best course of action. The subjects that can be dealt with are wide - such matters as dispute over motor accidents, faulty goods and hire purchase arrangements.

The employees will be advised on the best course of action, whether they are wishing to pursue a claim or are having to defend an action.

The preliminary advisory service provides a filter before the second prime benefit comes into operation - that of paying the costs of legal action and any damages awarded against the insured. Under the conditions of the policy, the employee has to get clearance from the organisers of the scheme before proceeding to run up legal costs, if those costs are to be paid by insurance. And the underwriters cannot give the go-ahead until they know the facts.

The IRPC scheme lays great stress on this personal service. In particular, it can cover advice to an employee seeking redress against his employer over unfair dismissal - a somewhat paradoxical situation. But in many cases it is felt that the advisory service can provide unofficial arbitration in employment disputes.

The IRPC scheme is all embracing with advice and insurance cover on all aspects, including matrimonial problems. It is prepared effectively to provide a second opinion on the actions of one's own solicitor in pursuance of a case.

The Hambros scheme would appear to be more limited in scope. Certainly it excludes matrimonial problems and the employer can exclude employment protection from the cover to avoid any embarrassing conflicts of interests.



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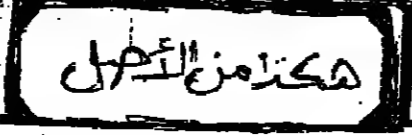
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FINANCIAL TIMES SURVEY

Friday April 25 1980

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The Grocery Industry

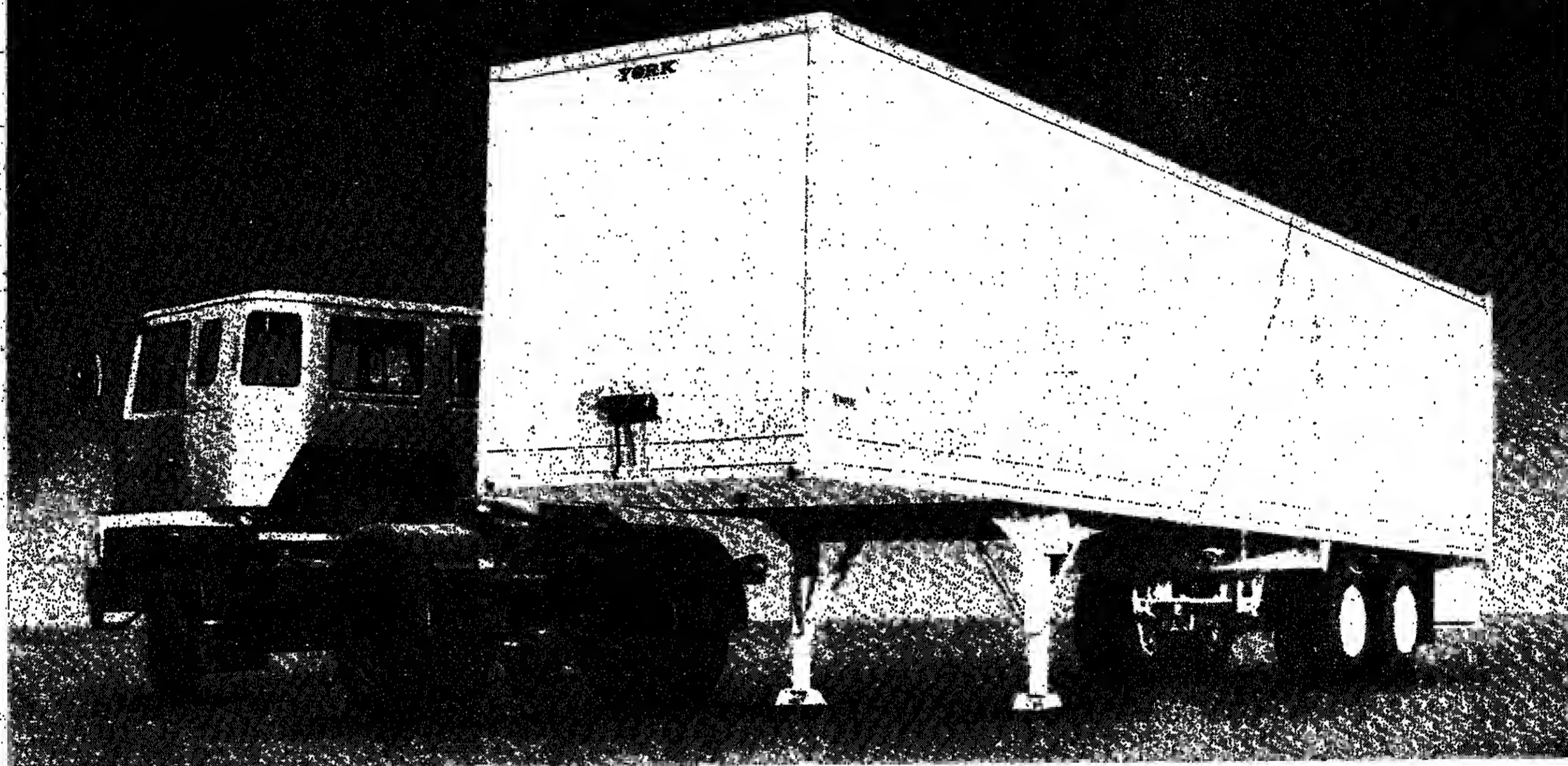
Although keen pricing will remain a major plank for the industry in the eighties, the major multiples will develop superstores and diversify into non-food retailing in an attempt to increase trading volume at a time when demand for food is static. Rising fuel costs will force companies to look critically at their distribution arrangements, while computers will play a new role at electronic checkouts.

DAVID CHURCHILL, Consumer Affairs Correspondent, reports

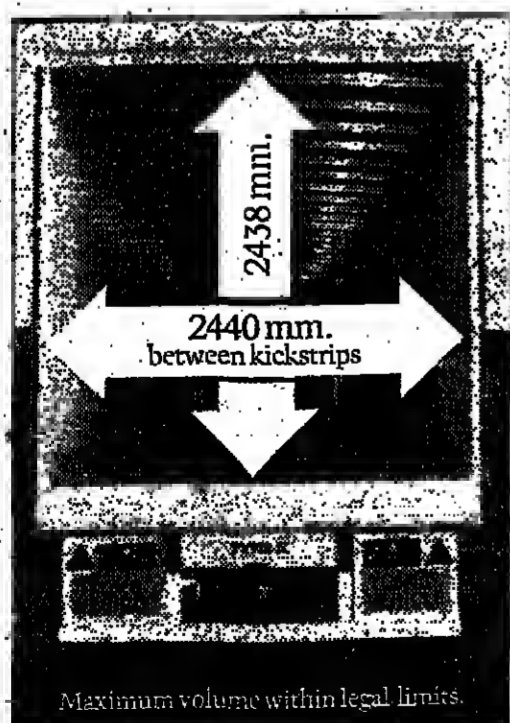
CONTENTS

| | |
|---|-----|
| Looking to the eighties | II |
| Higher prices expected soon | II |
| Independents lose to the multiples | II |
| Co-ops face problems | III |
| Smaller chains may have to merge | III |
| Distribution becoming a vital area | IV |
| Decline of small shops threatens wholesalers | IV |
| Role of the Institute of Grocery Distribution | V |
| Electronic revolution on the way | V |

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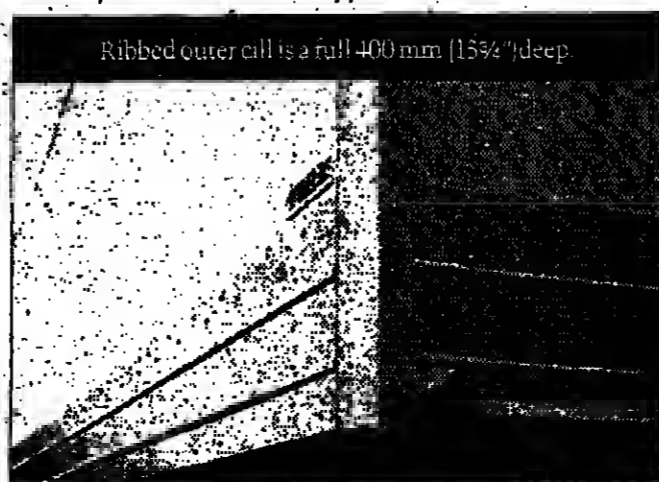
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A busy day at Tesco's superstore at Walkden, near Manchester

Co-op losing ground to the multiples

THERE CAN be little doubt that the biggest enigma in the High Street in the 1980s will continue to be the co-operative movement. The Co-op retail societies have more grocery outlets than the other multiples combined. At the same time the co-ops are the second largest operator of superstores in the UK (after Asda).

This massive retailing strength is backed up by one of the largest food manufacturing and wholesaling organisations in Europe—the Co-operative Wholesale Society, which is jointly owned by the retail co-operatives.

Yet in spite of this strength, the co-operative movement enters the 1980s facing potentially more problems than ever before in its recent history. The simple fact is that in spite of its massive size and market power, the co-op's positions in the market are gradually being eroded by the rise of the more aggressive multiple grocers.

Although much of the multiples' growth in the 1970s was largely at the expense of the small independent grocer, the 1980s may see the large supermarket chains expanding more at the expense of the co-ops. Over the past year, for example, the co-op's share of the packaged grocery market has slipped by about 1 per cent to about 17.5 per cent.

At the same time, the share of the market captured by Tesco—the co-op's closest challenger—has been steadily rising and is now around 14.5 per cent. A number of grocery trade analysts now expect that within the next few years Tesco will actually overtake the co-op's market share—an achievement which would have been considered unthinkable only five years ago.

Recognised

Yet this threat to its trading performance has not gone unrecognised by the co-operative movement; indeed, it would be hard for retail co-operative societies not to be aware of the challenge they face in the High Street.

But recognising the threat and doing something about it are two entirely different problems. Given the structure and organisation of the co-operative movement, it is easy to see why drastic changes are hard to bring about.

At the base of the co-op movement's structure are the 10.6m customer members (nearly two-thirds of a million fewer than in the early 1970s) who own the 201 retail societies scattered throughout the country. Members of each society elect a board of directors to run the society in members' interests, although few members bother to participate. Only 0.2 per cent of the 1m members of the London Co-op bothered to vote in last year's elections.

Each society in turn has a financial holding in the CWS which produces and distributes both food and non-food products in retail societies on competitive terms. Societies are not obliged to buy from the CWS and, in fact, societies only buy some two-thirds of their needs from it.

Both individual societies and the CWS are members of the Co-op Union, along with other co-operative bodies such as the Co-operative Insurance Society, the Co-operative Press, the National Co-operative Chemists, and a number of others.

The Co-operative Party—which has some 17 MPs in the Commons—is an integral part of the Union. The Co-op Union's function is to co-ordinate information and advice about the Co-op movement and send it to retail societies. The annual Congress acts as a national forum for discussion but does not have any real power to enforce decisions on members.

This complex organisational structure, nonetheless, controls a vast organisation. The movement has over 11,000 High Street stores; employs in total nearly a third of a million people; owns the biggest fleet of motor vehicles next to that of the Government; has some 150 factories at home and abroad; operates the sixth largest deposit bank and the ninth biggest mutual insurance society in Britain.

The Co-op movement also supplies a third of the nation's liquid milk, is second only to the National Coal Board in retail sales of coal, and is the country's largest undertaker.

But the power in the Co-op movement lies firmly with the individual retail societies. And, as with any organisation so disparate, it is virtually impossible to reach a general agreement about change.

The key trading problem for the co-ops is that the movement has too many small stores which are uneconomic to operate in the intense market conditions of the past few years and likely to become even more uneconomic in the 1980s. While the major multiples such as Tesco and Asda have been busy shutting down their small stores throughout the 1970s, the co-ops have been reluctant to take such blatantly commercial decisions when small stores often fulfil an important need in local communities.

The structural changes in grocery retailing have also served to mitigate against the co-op. The trend in the 1970s was for national groups to be established; Tesco has made great strides in achieving national representation, while Sainsbury and Asda are both expanding fast geographically. Traditionally, the co-ops great strength has been effective competition at a local level because its customers were also members. But in the 1970s, shoppers

have switched to supermarkets offering the lowest prices—such as the large multiples.

Moreover, with the trend towards higher volume of sales through large store developments, the financial stakes needed to maintain and oblige market share are increasing rapidly.

To its credit, the co-op movement has been aware of the need for large store development and is now the second largest superstore operator in the country with 65 stores and a further 16 on the way within the next few years.

But so large is its retailing base—with over 7,500 food stores and 11,000 outlets of all types—that even this substantial investment is not enough to compensate for the loss of sales by its smaller stores. The real problem remains the lack of any central direction of superstore development—and the difficulties of financing store expansion when profits are being eroded by the High Street price war.

National strategy

Moreover, the various merger and rationalisation proposals of the past few years have been directed at developing a national strategy. In theory, the strategy is intended to work on three levels: to develop the superstore programme; to improve the top 1,000 large supermarkets so that they can compete on equal terms with the multiple grocers; and to identify the small stores that can fulfil a convenience role and still make a profit by charging higher prices for their convenience for the customer.

In practice, however, the strategy is difficult to put into practice because of the individual approaches of the societies.

Some societies, however, such as the London Co-op have been forced by the tough trading conditions in the High Street to take positive action. The London society has closed a number of its small stores and has turned a number of others into "Price-fighter" stores. These stores do not give customers the traditional dividend stamp; instead, the dividend is returned through lower prices.

The last major attempt to bring about change in the movement was made at last year's Co-op Union Congress when the president, Mr. Howard Perrow, suggested the setting up of a merger of the CWS and the large retail societies. Like most blueprints for change in the past few years, however, this idea has become bogged down in the many committees within the movement.

Probably the only real catalyst for change within the movement will come when the trading pressures are forced to take a more "co-operative" view of the trading situation. But by then the danger is that the decline of the co-ops may have gone too far to reverse.

THE KEY question about the structure of grocery retailing over the 1980s will be whether the Big Three supermarket multiples—Tesco, J. Sainsbury, and Asda—will continue to increase their market dominance, or whether their progress will be impeded by a resurgence of the small multiple chains such as Fine Fare, Allied Suppliers, and International Stores.

If the big multiples manage to forge ahead in the same way as they have done over the latter half of the 1970s, then the question that will then be asked is which of the smaller multiples will manage to last out the decade? Already the smaller multiple—the MacMarket chain—was sold last year by Unilever to International Stores, owned by BAT Industries. And speculation persists within the trade that other mergers may have to come about if the level of intense competition between grocery retailers persists for much longer.

The dominance of the big three retailers at the start of the 1980s is shown by the AGB market share figures for packaged groceries. Out of the 66 per cent share of the grocery trade accounted for by multiple grocers, about a half is controlled by Tesco, Asda, and Sainsbury combined. Tesco is way out in front with more than 14 per cent of the market, followed by Sainsbury with around 11.5 per cent, and Asda with some 7 per cent. These figures, however, fluctuate from month to month but there is usually the same gap between the Big Three.

The Big Three's market growth is all the more remarkable given that it has largely been achieved over the past three years. Before the launch of the High Street price war in June 1977—when Tesco dropped trading stamps and started its "Operation Check-out" campaign—the leading three multiples had about a fifth of the grocery market

between them, in contrast to the third share they now have.

This surge ahead in the market helped to increase further the multiples' total growth in sales at the expense of co-operative stores and independent grocers. This total market growth has been the constant theme of the grocery trade in the 1970s, as statistics produced by the Nielsen market research company show.

In 1971, the multiples and independent grocers were running virtually neck-and-neck—with the multiples enjoying a slight edge with 44.3 per cent share, the independents 42.5 per cent share. But by 1976, the multiples had increased their share to 49.4 per cent while the independents' total had fallen back to 36.6 per cent. And over the latter half of the 1970s, the growth of the major multiples meant that the total multiples share in 1979 was 55 per cent, compared with 31 per cent for the independents.

High volume

The reason for the multiples' consistent growth has been simple: their shops are substantially larger than those of the independents. And with the fierce pressure on profit margins, the name of the game now is to secure as high a volume as possible while at the same time reducing costly overheads.

Mr. Richard Weir, director of the Retail Consortium, also believes that behind the multiples' continued growth in the late 1970s has been the considerable emphasis placed on low prices by shoppers. Mr. Weir points out that the rapid inflation in the mid-70s encouraged shoppers to seek lower prices. But he also believes that the Government at that time may have been wrong to concentrate on prices to the exclusion of the longer-term effects on the structure of the retail trade. "Shirley Williams was probably the worst offender in telling consumers to shop around to find

the lowest possible price—almost as if price were the only thing that mattered," says Mr. Weir.

However, Mr. Weir now expects that since such price sensitivity has become so well established it is likely to continue in the 1980s, especially if the inflation rate stays at a high level.

Yet even if consumer concern about prices remains a key factor in determining where they decide to shop—which will obviously benefit the multiples—there are doubts over how much further the multiples can continue to increase their share of the grocery market.

As stockbrokers Capel Cure Myers point out in their recent comprehensive review of the retail trades, "the 1980s will not see the same easy pickings for the multiples."

And if the same sort of market growth as achieved in the 1970s is not available for the multiples in the 1980s, then the supermarket chains will have to concentrate on fighting each other rather than making gains at the expense of the independents.

Mr. David Canfield, managing director of Key Markets, which is owned by Fitch Lovell, believes that the smaller supermarket chains will put increasing pressure on the Big Three multiples.

Key Markets ranks about eighth in the Top Ten league table of grocery multiples, with a market share understood to be around 2 per cent. Below it are the U.S.-owned Safeway chain and the Waitrose stores group, part of the John Lewis Partnership.

Grouped below the Big Three are a clutch of four multiples with about 5 or 6 per cent of the market. These four are International Stores, Kwik Save, Allied Suppliers (including the Presto chain), and Fine Fare (including Shoppers Paradise).

International has long been seen as the joker in the grocery pack. It was bought by BAT

Industries in the early 1970s as a way for the tobacco giant to diversify—or so it thought—into the profitable and fast-growing sector of grocery retailing.

However, International's management has never been able to come to terms with its basic problem of owning too many small stores. These stores have been too small to achieve the volume throughput of groceries by the leading supermarket chains. At the same time as this small store profile, International has also been unable to sort out its management problems and especially how it should operate within the BAT empire.

International is trying to improve its average store size both by building new superstores and by acquiring existing larger stores. This was the rationale behind the takeover of the MacMarket stores, which were substantially larger than many of International's stores.

Most stores

In terms of store numbers, Allied Suppliers is probably the largest multiple although many of its stores are small supermarkets. Allied, which is part of Sir James Goswami's Avonham empire, has as its big asset the Presto stores chain, which is now seeking to break into the lucrative—and highly competitive—supermarket in the South-East.

Fine Fare, which is one of the best-known names in the High Street along with Tesco and Sainsbury, is also one of the "dark horses" for the 1980s. Fine Fare, which is owned by Associated British Foods, failed to keep up with the sudden surge in the mid-70s achieved by Tesco and Sainsbury.

Fine Fare has embarked on a vigorous price promotion policy to build its market share and is adopting a different policy from the other major groups by basing its superstore expansion in the North, where sites are less expensive. Fine Fare is also developing

its Bopper Paradise chain of limited range discount stores. These concentrate only on the 500 or so fastest selling grocery items and sell these at low prices by achieving a high turnover. It is a form of retailing pioneered in the UK by Kwik Save and Mr. Albert Gribay.

The weakness of limited range discounting, however, is that the range of goods is too limited. And with the trend towards one-stop shopping in large supermarkets, which can offer the same low prices as limited-range stores, shoppers will probably prefer the greater selection available in a superstore.

The great strength of the Big Three, however, is that they have the financial resources and expertise to develop more superstores in the 1980s and thus make it harder for the smaller groups to catch up.

However, the big groups are aware that they can only grow so far: already their dominance in some regions is raising questions about Government intervention under the monopoly or competition laws. The bigger these multiples become, the more of a threat such intervention is.

Thus it is hardly surprising that the Big Three have been considering a diversification strategy. Asda has moved into home furnishings with its acquisition of Allied Retailers; Sainsbury is planning to launch a chain of do-it-yourself stores while Tesco has already expanded into the Republic of Ireland and is planning to move into the U.S. market.

If there is any further rationalisation among the multiples—and this still seems likely—then two new names which could feature more prominently in the 1980s are the Northern-based Hillards and Morrisons groups. These stores could either be snapped up by one of the larger chains—such as International or Fine Fare—or else, if there is rationalisation among the existing Top Ten multiples, could themselves join the elite in their own right.

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Terry Kirk

Although small grocers are being squeezed by the multiples, they survive because they offer convenience and service the big stores cannot match. Here a customer is served at Ibsons Foodstores in Braganza Street, Kennington, London, SE17

THE GROCERY INDUSTRY V

Trade has its own forum

THE Institute of Grocery Distribution, which has its annual conference in Brighton on Monday, has carefully built up its information role during the 1970s to provide the fast-changing grocery industry with a sound database to take advantage of the rapid developments expected throughout the new decade.

The theme of Monday's conference, for example, is typical of the IGD's activities. The conference will aim at focusing attention on the options for growth in the 1980s and examining the management thinking underlying diversification into new product areas.

The IGD is not a trade association and therefore does not carry out any of the lobbying functions with Government generally associated with trade bodies. The grocery industry has other organisations responsible for this.

Basically, the IGD's role is threefold: to provide accurate and objective statistics on the industry; to inform, educate, and train those within as well as those outside the grocery industry as to the problems, pressures, and solutions that the industry faces; and also to provide a forum for the trade.

The IGD now offers a comprehensive information and statistical service about the trade to some 300 major companies, which makes up its membership, as well as offering individual executives in the industry the chance to take personal advantage of its facilities.

As with most trade bodies, however, their role, the IGD has had to battle to establish with its financial footing and reputation for its services. Basic income comes from an annual subscription paid by the 300 member companies, at a rate related to their own grocery sales. But the IGD is also seeking to increase its sources of income which are directly linked to its information services. In fact, in 1980 income from other sources is estimated at some £300,000, which represents about 60 per cent of its gross revenue.

While the IGD's origins date back to 1903, the present institute was formed in 1972 from a merger of the Grocers' Institute and the Institute of Food Distribution.

In the early days, the institute was concerned mainly with education, providing trade qualifications for retail trade personnel. However, the past few years have seen major developments in information and research. With specialists in finance, physical distribution, marketing and economics, the IGD now has a full research programme as well as providing a data base for companies in the trade and others outside the industry.

Although education has taken a lesser role in recent years, current thinking within the IGD is to re-establish a more comprehensive package of business education suited to the industry's needs in the 1980s. The emphasis is on a long correspondence course leading to IGD qualifications is to be phased out and replaced by material aimed at the Business Education Council qualifications.

At the same time, other courses are being set up to provide a sharper, sharper impact and involving much more face-to-face contact.

One of the major problems faced by the IGD has always been how to communicate with the industry. During the year, the IGD communicates directly with some 4,000 people in the industry. Yet the IGD is aware that many of its contacts are unaware of the wide range of services provided by the institute.

The IGD was also concerned that it was only reaching top management, since about 50 per cent of its contacts are with directors or senior management within the main grocery companies.

In the 1980s, the IGD's developing role is likely to reflect the same trends towards diversification which are apparent in the rest of the grocery industry.

For example, the switch into non-foods by most leading grocery chains will call into question the definition of the word "grocer". The IGD, however, acknowledges that if the interests of its corporate members widen, so must those of the institute. But the IGD is also aware that it should not let the diversification bandwagon mean any lessening of its central interest in the food trade.

"What is important is that the apparent narrowness of our title should not proscribe our approach," an IGD spokesman points out.

Retailers face challenge of electronic checkouts

THE EXPERIMENTS into new laser-scanning electronic checkout technology now being carried out by the major supermarket multiples represents potentially the biggest challenge facing the grocery industry in the 1980s.

If the experiments prove successful — and early results suggest that they will be — then the effect on the industry will be as significant as the introduction of self-service supermarkets in the 1950s and 1960s. Moreover, the electronic revolution in the High Street will not only have significant effects on supermarkets — the implications will be felt not only by food manufacturers but by companies involved in packaging, printing, market research, advertising, computer equipment, accountancy and data processing.

For grocery retailers, the new laser-scanning checkout system promises to provide an unprecedented degree of stock control and increased productivity which should lead to lower operating costs. For manufacturers, the system offers a unique test-marketing process providing accurate sales figures and other data for their products. It will also help reduce long checkout queues and give a till receipt itemising by name and price every product bought by customers.

Although major UK supermarket chains are only just beginning to carry out their extensive trials, into the new technology, such systems are already widely in use in both the U.S. and Europe. British retailers, however, hope that by a more careful implementation of the new technology, they can avoid some of the minor pitfalls that have bit pioneers of the new equipment.

Unique number

Under the new system, each grocery or non-food product sold in a modern supermarket will have its own unique 13-digit number allocated by the Article Number Association.

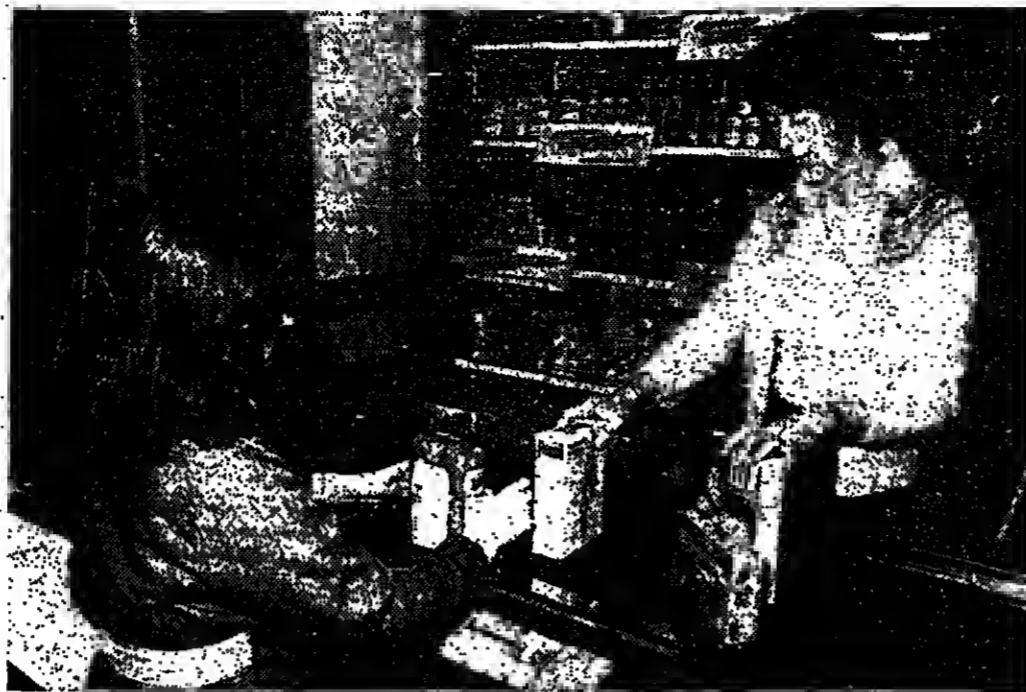
The first two digits of the number will, in the case of the UK, always be 50 since these identify the country of origin. The next five digits identify the supplier and are allocated centrally by the association and stored in the association's "number bank." The following five digits are allocated by the supplier to his products — each size or weight variation has to have its own number. The final digit serves as a check when fed into the computer to ensure that the preceding digits are scanned accurately.

The association has some 10bn numbers available for UK manufacturers, so there is no danger of running out of numbers in the foreseeable future. The 13-digit number allocated to a product is translated into a series of short lines or bars of varying thickness, which are then printed on the products by manufacturers as part of the normal packaging.

At the cash desk, the cashier passes each item over a low power laser scanner built into the checkout which reads the bar-code and transmits the information to an in-store computer linking all the checkouts. The current price of the item in that store is then fed back by the computer to the checkout where it, and a description of the item, appears on a visual display panel next to the cash register. Simultaneously, the information is listed automatically on the till receipt, which prints both the name of the item and the price and thus enables the shopper to see exactly what each item costs.

The process takes only a fraction of a second and, because the cashier is not manually keying in prices, the whole checkout operation should be both faster and more accurate than a traditional system. Not surprisingly, therefore, retailers expect shoppers to embrace the system with enthusiasm, even though some consumers may be upset at the loss of price-marking.

But it is not entirely out of altruism that the major supermarkets are devoting considerable management time and money — more than £10,000 per



A laser scan checkout system in use at a Key Markets supermarket in Spalding

checkout — on the new system. The reason quite simply is that supermarkets will have access to an unprecedented degree of accurate and fast information about stock levels at any given time.

The laser-scanning system provides the means for instant stock-control. Goods brought into the store can be scanned on arrival and the information recorded in the in-store computer. When they are scanned at the checkout, the computer automatically registers the stock depletion. The computer is thus able to alert store management to stock shortages and analysis of the data would enable the cyclical fluctuations in certain items to be identified. Eventually, it is envisaged that stock re-ordering could even be handled directly from the store computer to the company's depot computer and from there direct to the manufacturer.

The existence of a comprehensive stock control system that can be achieved by laser-scanning also has the claimed benefit of reducing the level of shoplifting and employee theft. Experience in the U.S. has shown that not only does the system act as a deterrent but it also enables security officers to identify the time and location of goods stolen.

Labour costs will also be reduced by cutting the number of staff needed for such jobs as individually price labelling every item in the store, because the bar code will already have been printed onto the packet by the manufacturer.

Although no accurate quantification of the scanning systems being installed in the UK is yet available, some attempt to quantify the costs and benefits in the U.S. was made by the McKinsey management consultants.

McKinsey identified so-called "hard" benefits from the new system in the areas of labour costs, administration and training at the check-out, pricing and re-pricing, and mis-ringing. Soft benefits covered increased sales and other merchandising benefits, a reduction in theft, labour rescheduling, and more efficient ordering and receiving procedures.

Total hard savings according to McKinsey amounted to 0.82 per cent of sales in a store turning over £1.7m a year. This comprises 0.37 per cent for checkout labour, 0.37 per cent for pricing, and re-pricing savings, 0.10 per cent for mis-ringing, and 0.08 per cent for checkout administration and training.

Against these hard savings, McKinsey calculated costs of 0.55 per cent which suggested net hard savings of 0.27 per cent. Soft savings, according to McKinsey, would mean another 1.15 per cent of turnover.

A new survey published recently by the Institute of Grocery Distribution (available from the Institute at Letchmore Heath, Herts., at £45 to non-members) suggests that changed circumstances since the McKinsey study in 1974 enhance "the attractiveness to retailers of point of sale systems and must reduce the payback period

from the five years estimated by McKinsey." A special survey of IGD members who have investigated the new systems found that the early benefits achieved are associated with improvements in checkout administration. Retailers told the IGD that "improved information for cashing up," "cash control," and "automatic summary of checkout information" were the most important benefits.

Retailers asked to anticipate future benefits gave increased prominence to such "soft" benefits as improved stock control.

Manufacturers were also included in the survey and some six out of every 10 of those questioned expected some benefits. These were chiefly in the areas of improved market research data; electronic data exchange; reduction in salesmen's time in a store; and improved supplies of stocks to prevent out-of-stock positions in stores.

However, a number of manufacturers claimed no benefit other than sound public relations. "We expect that customers using automated checkout systems will prefer to purchase products which are bar coded," commented one manufacturer. "Therefore it is in our interest as a supplier to provide this service."

However, other manufacturers pointed out that they would be forced to bar code products to prevent discrimination against them by retailers who would only accept goods with bar-codes printed on them. But most manufacturers acknowledge that the costs of actually incorporating bar codes on to their products would be minimal.

Key to success

The key to the successful introduction of the new checkout systems, however, rests with the speed with which manufacturers are prepared to print bar-codes on to their products. The Article Number Association's membership now represents companies who account for the bulk of food sales in the UK and some trade estimates suggest that some 70 per cent of all grocery products sold will be bar-coded by the end of this year.

The speed with which supermarkets start to extend their trial use of the new systems will depend, therefore, on how fast manufacturers print the codes on to products as well as the ability of supermarket chains to cope with the implementation of the new technology.

Key Markets, the Fitch Lovell supermarket subsidiary, was the first UK multiple to introduce an operational laser-scanning system. It introduced the new system last October in its superstore at Spalding in Lincolnshire. Key Markets plans to have a further four stores operating the new checkouts by the end of this year.

Next in the field with operational systems has been J. Sainsbury and International Stores. Sainsbury's has introduced the new system into its

Broadfield superstore, on the outskirts of Crawley. At present Sainsbury is using IBM equipment but it also plans to test our NCR equipment — the other major manufacturer of the computer hardware — later in the year at the same store.

Last month International Stores introduced its first laser-scanning system to its Folkestone superstore, again using IBM equipment. International is expected to have at least two other stores operating the system by the end of the year. Tesco, which has been testing a less sophisticated checkout system at its Wellingborough store for the past few years, is poised shortly to upgrade the system to full laser-scanning.

Other store groups, including Asda, Fine Fare, and some co-operative retail societies, are also at an advanced stage with preparations for use of trial systems.

Even if all goes well, however, the most optimistic projections for widespread implementation of the new systems means another two to three years before laser-scanning at the checkout becomes an accepted feature of High Street shopping.

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Mace

All your neighbourhood needs



Hillards' new store at Selby, opened last month

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Bricks for homes,
homes for people...LONDON BRICK COMPANY LIMITED
business news

The following are extracts from the circulated Statement of the Chairman, Mr. Jeremy Rowe, C.B.E. for the year ended 31st December 1979.

The Trading Year

There was a reduction in the demand for bricks for new housebuilding but this was partially offset by an increase in the number used for repairs and renovations.

The bad weather early in 1979 and the delay in obtaining a price increase resulted in a fall in margins during the first half of the year. The position was largely rectified during the second half year but difficult trading conditions throughout the Group made it impossible to match the profits of 1978. Nevertheless, profits before tax amounted to £12,741,000 (£14,095,000) which represents a substantial recovery on the position shown at the half-way stage.

During the year the offer by Norcross Limited for our interest in the equity capital of H. & R. Johnson-Richards Tiles Limited was accepted. This produced a useful addition to cash resources and generated a profit after tax of £2,031,000.

Both the interim and proposed final dividends, inclusive of the relevant tax credit, have been increased by 15 per cent. After taking into account the reduction in the basic rate of income tax, the amount that stockholders will receive is increased by approximately 20 per cent.

Construction and Brick Demand

From the outset 1979 proved a difficult year for the building industry. In the early months, the unusually severe and prolonged winter and the effects of the road haulage strike hampered progress on sites and adversely affected brick deliveries. As the weather improved in the spring, private builders sought to make up lost ground and the pace of demand quickened. Indeed with little stock some difficulty was experienced in meeting customers' requirements. The comparative buoyancy of the private housing market was not to continue for, as the year progressed, the effects of Government monetary policy began to bite and there was a gradual fall in the number of starts. In the public sector, where the trend was already set, there was a continuing fall in the total volume of work in both housing and other work. Only in home improvement and refurbishment was a brisk demand experienced throughout the year.

During 1979 as a whole, housebuilding fell by seven per cent, and in the case of the public sector, the outcome for the year showed a reduction of over half in the figures achieved in the early seventies. In our case, whilst brick deliveries were lower than in the previous year, increased penetration into other markets and price competitiveness lessened the effect of the reduction in housebuilding.

In recent years there has been comment that Britain now has a crude housing surplus; however, the surplus is termed 'crude' advisedly, for the needs and availability of housing do not match. In terms both of the type of housing and of its location, major shortages still exist. It must remain a matter of national concern whether the current very low level of housebuilding — the lowest for 28 years — is sufficient to remedy these shortages and provide everyone in this country with one of the most basic of human necessities — a home of their own.

Facing Bricks

More than just a structural material, facing bricks depend on aesthetic appeal for their success. Not only does their appearance tend to improve with age, but they are maintenance-free. Understandably therefore sales of LBC Facing bricks now represent nearly two-thirds of our total deliveries. Our marketing plans have to balance the advantages of introducing new types of facing bricks with the continuing call for existing ones. The LBC facing range encompasses different colours and textures designed to suit regional requirements, blending with the traditional or natural colours in a local environment. This may vary from Cotswold stone to the yellow stocks of London, from Sussex flint to the traditional reds of East Anglia. With increasing preference for red bricks, our range of bricks was extended by the introduction of the LBC "Regency" red in 1977, followed in 1979 by the launch of the new red textured "Windsor" facing brick. Both bricks have already achieved considerable popularity.

The Craft and Craftsmen

For centuries masonry has not only formed the backbone of the built environment, but has given it much of its visual appeal. Following experience with alternative cladding materials, architects are showing a resurgence of interest in the greater freedom of design, and the ability to blend with existing buildings, offered by traditional materials, heralding a renaissance in the use of brickwork. Indeed, traditional brick construction has been forecast as the hallmark of the eighties.

Brick construction depends for its appeal and success on the skill and availability of craftsmen and it is very much in the brick industry's interest to help ensure that bricklayers are readily available.

With increasing efficiency on building sites, the total number of bricklayers now needed in the construction industry is about 106,000 and in recent years this number has been trained. However, even at the present level of activity there are reports of difficulties in obtaining bricklayers and it is evident that many of those trained are not laying bricks. The barrier to the craft does not seem to be the nature of the work but the cyclical pattern of the workload on the industry and consequent fears on stability of employment.

The need to train craftsmen has been tackled not only through Government-assisted programmes by the building industry but by the brickmakers themselves through Brick Development Association Training Services Limited which operates two training centres for bricklayers. With the uncertainty that now exists over future Government support, this type of self help by the industry illustrates one way a regular flow of craftsmen can be maintained.

Production

In recent years our policy has been to use strategic stacking of bricks to smooth out the peaks and troughs in the cyclical demand for housebuilding, but the success of stock-lifting in 1978 meant that we entered 1979 with few bricks on the ground. Thus in the new year the availability of extra supplies for the customer depended largely on increasing production from existing works.



In my first report as Chairman, perhaps I might set out some personal beliefs based on my experience of the building materials industry and on London Brick, the Company with which I have been associated all my working life.

In exploiting the fuel-bearing Oxford clay for Fletton brickmaking we have developed in this country a unique industrial process. The brick, fired largely from the fuel naturally contained in the clay, has one of the lowest energy contents in terms of tonnage produced of any

A great effort was made and with the benefit of a year once again free from any major industrial dispute an improvement in overall output of about five per cent was achieved.

Future production of fletton bricks is dependent on a continuing supply of our valuable raw material and at Whittlesey a major engineering project, requiring the movement and landscaping of some 350,000 tonnes of earth as a barrier to the river flooding, has been undertaken as a planned extension of our reserves of fletton "knotts" for our Kings Dyke Works.

At our Clockhouse factory, continued development of the specialised process for the manufacture of simulated handmade bricks has led to a slow but steady build-up in production. We have been disappointed by the extent of the teething problems involved in the new technology and even now full production has yet to be attained. Some difficulties remain to be overcome but we believe that the quality and appearance of the new brick will more than compensate for the delay in its introduction.

Distribution

With the need to distribute our bricks nationally in the most efficient manner, use is made of a number of different delivery methods. To areas near our works, deliveries are made direct by the LBC fleet, or by haulage contractors, while for some regions of the country bulk distribution by the railborne "Fletliner" system or through roadheads is completed for onward despatch by our own, locally-based, vehicles.

With the recent surge in the cost of all forms of energy, the improved fuel economy of larger vehicles has to be balanced against our customers' requirement for a proportion of deliveries in smaller loads. The saving in fuel involved does depend on delivery circumstances but, as an example, use of a large articulated vehicle in place of a six-wheeled rigid vehicle can result in a reduction of nearly 30 per cent. in fuel usage. Both roadheads and the Fletliner service provide a sensible answer to this dilemma for whilst they ensure that bulk distribution to distant points is achieved with the utmost economy in fuel, subsequent delivery to the customer can be made in smaller vehicles more suited to the average building site.

Another development, the LBC Strapak system for strapped units of bricks, allows more efficient handling on site than is possible with mechanised delivery of loose bricks. Although packaging does increase the cost

"We have to ensure that investment in new plant keeps pace with research and technology, and productivity is further increased."

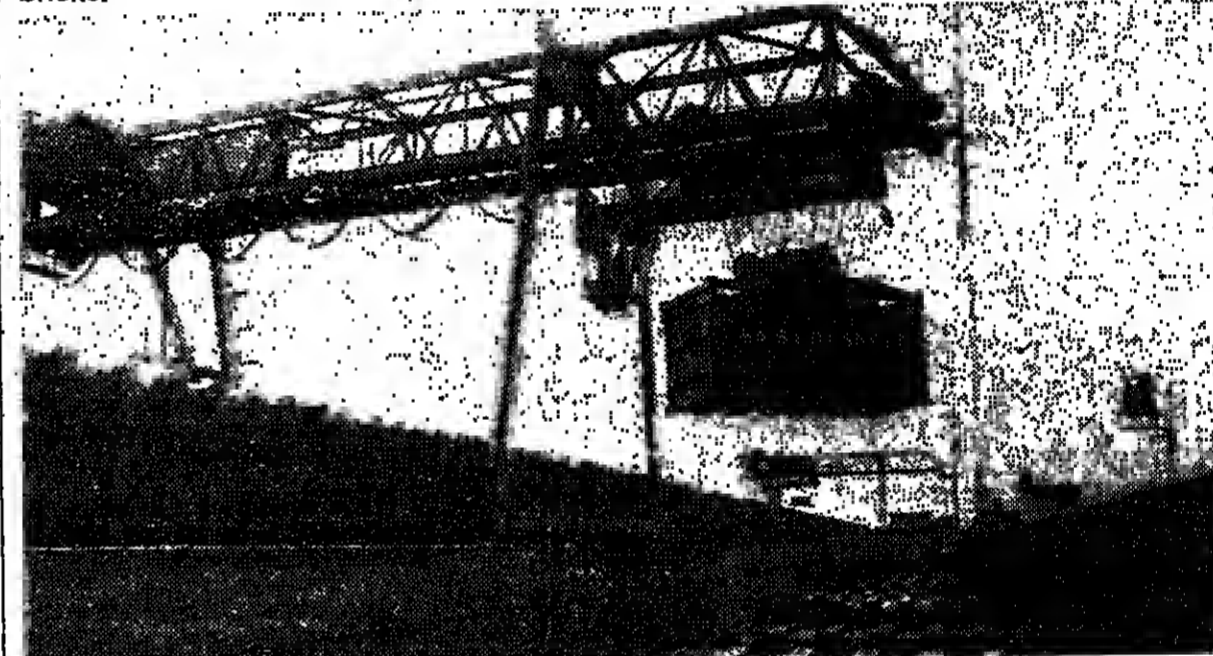
manufactured building material. Where else, in fact, can you obtain a manufactured product that costs the customer ex works less than one new penny per pound? Our prime purpose in London Brick is to ensure that this unrivalled British process is conducted in the most efficient and enterprising manner.

We have, for instance, to ensure that investment in new plant keeps pace with advances in research and technology and that in this way productivity is further increased. We have also to try to provide our customers with a constantly improving standard of service in marketing,

handling and distribution. From this firm base we can employ assets, built up over many years in terms of both human and physical resources, to widen the base of our operations and to expand into related areas of activity which are less dependant on the cyclical nature of housebuilding.

If we can successfully accomplish these objectives, I believe that we will be able to satisfy our customers, care for our employees, improve the environment of our works areas, and, not least, provide stockholders with an increasing reward from their investment.

of bricks, the growth in customer requirements for this service — now encompassing about 60 per cent. of deliveries — amply demonstrates that the increase in price to the customer is easily outweighed by the benefits which he derives through greater efficiency on the site. Our objective is to standardise on this form of delivery and to provide all customers with packaged bricks.



Container movement at London Brick Landfill's Hendon waste rail transfer station

Land Reclamation

The tempo of our land reclamation activities quickened during 1979, the volume of fill material trebling during the course of the year. The largest single contribution to this has come from the first full year's operation of the Hendon waste rail transfer scheme, which was formally inaugurated in June by Sir Horace Cutler, Leader of the Greater London Council. This scheme — developed, constructed and operated by London Brick Landfill — provides facilities for the reception of three London Boroughs' domestic waste at the Hendon transfer station, its compaction into sealed containers and subsequent transportation by

rail to the Stewartby Fletliner terminal in Bedfordshire. There, special vehicles transfer the containers to the landfill site, where the material is compacted in layers, progressively rebuilding the land for its eventual return to agriculture. During the twenty-year contract, about four million tons of GLC waste will be handled in this way and, with the benefit of other contracts, will result in the restoration of 190 acres of land from which Oxford clay has been excavated for brickmaking. During the coming year, a second scheme of similar size will start operating at Calvert works, again leading to the reclamation of a large area of land for farming.

Subsidiary Companies

While for some subsidiary companies, 1979 proved a difficult trading year, for others it saw carefully laid plans and investments beginning to bear fruit. The successes of our Landfill and Farming subsidiaries have already been mentioned. London Brick Landfill, in particular, reaped the reward of major schemes for the disposal of domestic waste developed over a number of years and from an expansion of its industrial business. With turnover trebled in 1979, this subsidiary is now providing an important contribution to the Group.

For the remaining subsidiaries, the general economic climate, prolonged bad weather and other diffi-

culties have all had detrimental effects. London Brick Buildings has been particularly disappointing, with high interest rates and reduced mortgage facilities restricting sales.

Midland Structures was also disappointing, and whilst corrective measures have been taken, the year's results were affected by unprofitable orders which had previously been accepted.

Croydex has been going through a period of change in both management control and personnel. While the Company is now geared up for further development, its performance during the year reflected the depressed state of the retail hardware market.

Brickworks Re-development Plans

During 1979, we announced a major redevelopment plan to replace, during the course of the next fifteen years, nearly half of our fletton production capacity, at a total cost at today's prices, of £75 million. In the course of the last ten years, two major "new generation works" have been completed. They have amply demonstrated that a better quality brick can be produced at a substantially lower cost by a plant of modern design. Dependent on planning permission, our intention now is to replace two of our main works in the Bedford area with new brick factories incorporating the latest developments in fletton brick-making technology and to further expand our modern Kings Dyke plant at Whittlesey.

A new fletton brickworks utilises the specialised machinery which we

now largely design and manufacture in our own foundry and machine shops. This allows it to be built comparatively quickly and economically. When completed, these works, replacing nearly a quarter of the total clay brick production of the United Kingdom, will almost double the productivity of each employee. The new factories will offer operatives both greater security of long term employment and improved working conditions.

Will there be the demand for the products of these new works? In fact, we are confident that the demand will be there: not only do we believe that housing starts are more likely to rise in the Eighties from their present depressed level than decline further, but also that the low cost and unique fuel-saving nature of the process will ensure a wider market for fletton bricks. Even if this does not prove the case, fluctuations in demand fall on marginal or "buffer" production capacity which helps to cope with the peaks and troughs of trade. Thus a reduction in future demand only means that a higher proportion of our total production will be concentrated on these new, more efficient and profitable factories.

Research

The work of our Research Laboratories runs like a thread through our varied brickmaking activities. From helping customers in structural design using diaphragm brick wall techniques, to developing the new Windsor facing brick, from testing strapping material used for packaging bricks, to assisting our engineers in the development of improved machinery for new works, our scientific officers provide a service to all departments.

The largest single sector of work is the continuing programme of research, directed by the Alkali Inspectorate, into emissions and possible methods of treatment of kiln gases. Although emissions from even our largest works are small compared with say — a major power station, they constitute a nuisance and provide a positive area for research. During the course of the year two of our scientists visited the United States, and examined the results of a number of similar American research programmes. The visit, although of great interest, did not suggest that we had neglected any particular new avenue of research.

Tribute

In a year in which the leadership has changed, I would like to thank employees at all levels and in every branch of the business for their steadfast loyalty and support. We are fortunate in the Company in having built up over many years a fund of goodwill and a real sense of working together in harmony and partnership. We must continue to foster this spirit and to use it in helping to achieve new objectives.

**All you need to know about London Brick**

Please complete the coupon below if you would like to receive copies of the Annual Report and/or the Brochure which outlines some of the Group's wide range of interests.

To: The Secretary, London Brick Company Limited,
12 York Gate, Regents Park, London NW1 4QL
Please send me a copy of the Annual Report and/or the Brochure.
Please tick: ANNUAL REPORT ☐ GROUP BROCHURE ☐
Name _____
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Dividend increased in a difficult year

In the report to shareholders on the year ending 31st December 1979 Mr. T. W. Hibbert, the Chairman, said that with few exceptions, firms in the wool textile industry had experienced the worst trading conditions for very many years. Whilst the group profit before tax at £1,518,588 was lower than that for the previous year the directors recommended a total dividend of 3.7692p per share, an increase of 20% on the net dividend paid for 1978.

Commenting on the group's successful diversification policy, the Chairman said: Our two specialised engineering companies have substantially increased their turnover particularly in the production of acoustic equipment. Crofton Yarns Ltd., textured filament yarn processors, have had an excellent

year and our woollen spinners, Stork Bros. Ltd., continue to produce gratifying results. We continue to seek suitable firms for acquisition in order to extend this policy of diversification into other specialised businesses.

Concluding his report, Mr. Hibbert said: "At the moment there is no sign of any marked improvement in demand for our yarns. However, in spite of the strength of sterling we have been able to maintain our share of the available export markets. The best prospects for yarn sales in the home market at present are in the area of speciality fancy yarns and this potential is being expended by further investment in machinery. The fact that our group produces speciality products will enhance our prospects for better results in the future."



British Mohair Spinners

APE

amalgamated power engineering limited

MANUFACTURERS OF DIESEL ENGINES, STEAM TURBINES, COMPRESSORS, GEARS, PUMPS & VALVES

Extracts from the 1979 Report and Accounts

| | 1979 £'000 | 1978 £'000 |
|--|---------------|---------------|
| Turnover | 69,483 | 64,771 |
| Trading profit including associates | 3,279 | 6,940 |
| Interest paid - net | 1,723 | 160 |
| Profit before tax and extraordinary item | 1,556 | 6,780 |
| Profit after tax - earnings | 792 | 5,274 |
| Extraordinary item - redundancy payments | 383 | - |
| Earnings per share | 5.77p | 38.44p |
| Dividend per share including tax credit | 8.8p | 8.8p |
| | £'000 | £'000 |
| Shareholders' funds | 24,789 | 25,244 |
| Capital employed | 32,656 | 29,260 |
| Net assets per share | £1.81 | £1.84 |

The poor results of 1979 are a reflection of the impact of many factors that were largely outside the Group's previous trading experience. In particular, the strikes that bedevilled the whole of British Industry, including the internal industrial dispute at the Bedford Division and the lorry drivers' strike in the first six months of the period, followed by the Engineers' national strike in the second half of the period, seriously interrupted output, which was only partly made up in the last three months of the year. The actual loss of output was approximately £10 million which resulted in a loss of £2.5 million of profit. These interruptions to output led to a considerable build up of stocks and work-in-progress necessitating a rapid build up of borrowing which, together with the very high interest rates, caused a large increase in the cost of financing working capital.

Having regard to the current levels of output and the current state of the order book, the Board takes an optimistic view of the future and therefore is recommending a final dividend of 3.08p per share to maintain the gross dividend for 1979 at the same level as for the previous year.

Copies of the Report and Accounts for the year will be sent to shareholders on 15 May 1980.

TOMATIN DISTILLERS

Proprietors of the largest Malt Whisky Distillery in Scotland

Mr. A.P. de Boer reports on 1979:

● Production of new whisky was maintained at 1978 level despite the adverse effects of outside strikes, but increased overheads resulted in a 4% reduction in pre-tax profit to £840,000.

● Exports increased 51% to £1,228,000.

● Total dividend increased by 10% to 5.36p per share.

● Group Reserves increased to over £3 million from £1.8 million announced last year.

Copies of the Report and Accounts may be obtained from The Secretary, Tomatin Distillers Company Limited, 34 Dover Street, London W1X 4HX.

Companies and Markets

UK COMPANY NEWS

Severe downturn McKechie profits show at Amal. Power £1.8m gain at midterm

STRIKES and an industrial dispute at its Bedford division, resulted in Amalgamated Power Engineering, manufacturer of steam turbines and diesel engines suffering a severe setback during 1979 when pre-tax profits plunged from £6.78m to £1.57m. Although there was a slight recovery in the last quarter, the second half figures were down from £3.67m to £780,000.

The pre-tax figure is struck after interest substantially higher at £1.73m against £160,000. After tax down from £1.51m to £764,000, and redundancy costs of £383,000, attributable profit amounted to £409,000 (£5.27m). Stated earnings per 25p share are 5.77p against 38.44p.

Having regard to the current levels of output and the state of the order book, the board takes an optimistic view of the future and is recommending a final dividend of 3.08p against 2.94p, for a total of 6.16p (5.99p).

● comment

Three strikes last year and a 14 to 30 per cent deterioration in the terms of trade relative to foreign competitors cut heavily into both sales and profit at Amalgamated Power Engineering. The marine market, which has dropped from 60 per cent of sales five years ago to an estimated 20 per cent this year, shows no signs of recovery and world diesel markets are increasingly competitive. Without last year's strikes, the group could have delivered another £10m and might have made at least £3m more profit, partly because of lowered work-in-progress financing. The result would still have been below the

1978 profit but it would have justified the dividend. With a reasonable order book and an improved industrial relations climate, the company is optimistic that profits will return to a sizeable level this year, although still not up to the 1978 figure. The shares fell 2p to 76p yesterday. The 12.1 yield is adequate but the fully taxed p/e of 13.5 seems a bit robust.

Francis Sumner 48% lower

A DROP of 48 per cent from £683,466 to £353,395 in pre-tax profits is reported by Francis Sumner (Holdings) for 1979. Most operating companies—they include textiles, engineering, and plastics—performed below expectations says Mr. M. Mainmann, the chairman.

This applied particularly to the second half when profit fell to £37,188 (£288,573) as trading conditions worsened and margins came under pressure.

There was a tax credit of £146,218 (£399,318 charge), and the profit attributable was higher at £499,617 against £321,903, stated earnings per 10p share were up from 1.48p to 1.88p and the final dividend is down from 0.2918p to 0.1p, making the total 0.65p (0.7818p).

DESPITE AN estimated loss of £1m in potential trading profits, as a result of the engineering dispute, pre-tax profits of McKechie Brothers showed a £1.78m advance at £3.24m for the six months to January 31, 1980.

All geographical areas registered useful improvements, the revival of the South African economy and buoyant conditions in New Zealand being particularly helpful.

Mr. C. C. Taylor, chairman, says the rise in overseas earnings seem likely to continue and will compensate for the more difficult trading expected in the UK. "We shall be disappointed if we do not reach last year's profit of £15.12m," he states. First-half earnings per 25p share put on 2p at 11p and the net interim dividend is held at 2p. The total payment last year was 8.8p.

| | 1979-80 | 1978-79 |
|-------------------|---------|---------|
| Sales | 62,176 | 55,377 |
| Depreciation | 3,394 | 5,427 |
| Share of assoc. | 2,778 | 1,823 |
| Interest charges | 227 | 591 |
| Profit before tax | 8,241 | 6,499 |
| Tax | 3,253 | 2,508 |
| Minority profits | 144 | 133 |
| Net profit | 4,744 | 3,423 |

● comment

With South Africa booming out of recession, associate companies there contributed 70 per cent more to McKechie Brothers, making up almost a third of operating profits. In contrast UK companies' profits were held back by £9.5m to around £5.5m, due to the engineering strike, with the severest setbacks coming in the steel division. The steel strike has had a depressing

after-effect on new orders, more serious than any damage it inflicted directly. Second half growth is therefore likely to be slower, with perhaps up to £17m pre-tax profits in sight for the year. On that basis, the fully taxed p/e would be 5.4. The historic yield on the last 12 months' payments is 10 per cent.

Ellis and Goldstein slips back

REFLECTING lower margins, the pre-tax surplus of Ellis and Goldstein (Holdings), manufacturer

of women's outerwear, declined from £1.82m to £1.66m in the year to January 31, 1980, on higher turnover of £40.6m against £36.6m.

Spring 1980 retail sales are ahead of last year, and will be assisted by the re-establishment of the shops-within-store units at Debenhams, say the directors. But the autumn collections are being shown against a background of continuing inflation, high interest rates and cutting by retail customers.

Earnings per 3p share after tax of £581,000 (£521,000), and preference dividends, are down from 6.1p to 4.7p, but the net dividend is lifted to 2.3p (2.12648p) with a final of 1.3p. Depreciation was £469,000 (£428,000) and interest took £111,900 (£72,000).

CYBERCONSULT S.A. GENEVA

Wishes to make publicly known that it has no association or dealings of any nature whatsoever with U.G.E. UNITED GENERAL ENTERPRISES S.A. GENEVA (15, rue de la Cité), VADUZ, LIBERIA, PANAMA, CURACAO, ATHENS AND/OR MR. BASIL A. TSAKOS.

CYBERCONSULT S.A.

For the board of directors Dr. Alexander TSAKOS

Watmoughs (Holdings) Limited

Idle, Bradford, West Yorkshire BD10 2NL

Continued growth £1.5 million profit for the year ended 31 December 1979

| | 1979 | 1978 | Increase |
|--------------------|-------------|-------------|----------|
| Turnover | £12,065,229 | £10,451,296 | 25% |
| Profit before tax | £1,504,257 | £1,104,469 | 36% |
| Earnings per share | 28.30p | 21.54p | 31% |

1980 Outlook. Increased capacity available from installation of new equipment. Three new magazine contracts and additional mail order printing obtained. A year of further progress expected.

Gravure and litho printers. Carton manufacturers.

Lyon & Lyon

GROUP RESULTS

"A year of satisfactory progress for the Group, culminating in a record pre-tax profit of £0.78m, over 25% higher than in 1978"

| | 1979 | 1978 |
|--------------------------|--------|--------|
| Year ended 31st December | £000 | £000 |
| Turnover | 9,704 | 7,105 |
| Trading profit | 750 | 585 |
| Investment income | 30 | 36 |
| Profit before taxation | 780 | 621 |
| Profit after taxation | 589 | 615 |
| Earnings per share | 17.32p | 18.77p |
| Dividends per share | 7.00p | 6.00p |
| Retentions per share | 10.32p | 12.77p |

Copies of the Report and Accounts are available from the Secretary.

Lyon & Lyon Limited
Harker House, Knottingley, West Yorkshire, WF11 8DD

FORD MAIN DEALERS • VEHICLE REPAIR SPECIALISTS • ROAD HAULAGE CONTRACTORS • LANK CRAFT OPERATORS • SHIPBUILDERS AND REPAIRERS

Walter Lawrence

Walter Lawrence Limited

Preliminary Announcement

| | 18 months to 31st Dec. 1979 | 12 months to 30th June 1978 |
|---------------------------------|-----------------------------|-----------------------------|
| Turnover | 75,081 | 69,841 |
| Operating profit | 3,138 | 1,496 |
| Interest | 923 | 365 |
| Profit before taxation | 2,215 | 1,131 |
| Profit after taxation | 1,489 | 552 |
| Earnings per share - as stated | 27.8p | - |
| Earnings per share - annualised | 18.5p | 10.1p |
| Dividends paid and proposed | 10.5p | 5.84p |

* From 1979 accounts are prepared to 31st December each year.

* Record profits when 18-month figures converted to annualised basis - despite significantly higher interest charges.

* Gross dividends increased by 15 per cent on an annualised basis.

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MANUFACTURING • ENGINEERING

Lawrence House, Sun Street, Sawbridgeworth, Hertfordshire, CM21 9LX

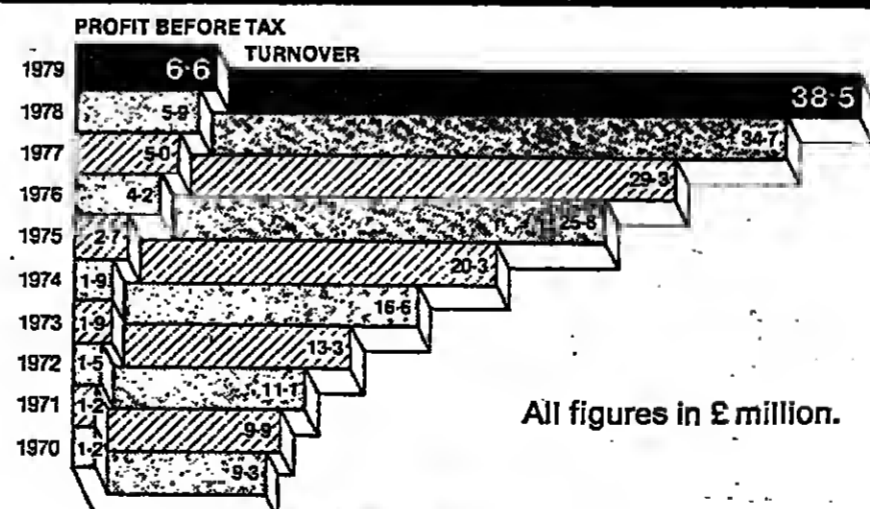
Continued advance worldwide

Pre-tax profit is once again a record at £6,624,000. Total dividend increased by 30% and a 1 for 2 Scrip issue is proposed. The Group has continued to grow in real terms and margins have been maintained. In the UK the growing response by industry to the needs for saving energy produced another increase in real terms. The excellent results owe much to the Group's direct presence in overseas markets where there was good progress in all areas.

spirax sarco

ENERGY SAVING ROUND THE WORLD

Spirax-Sarco Engineering Limited
Charlton House, Cheltenham, Gloucestershire GL53 8ER



● Directly owned operations

▲ Manufacturing licensees

مكتبة الشرح


ANCHOR CHEMICAL

If you would like a copy of the 1979 Annual Report and Accounts please write to:
Guest Keen and Nettlefolds Limited, GPR Dept., GKN House, 22 Kingsway, London WC2B 6LG Tel: 01-2421616 Telex: 24811

Companies and Markets **INTL. COMPANIES & FINANCE****JAPANESE SECURITIES HOUSES****Fall in bond market hits profits**

BY YOKO SHIBATA IN TOKYO

Japan's four major securities houses, Nomura, Nikko, Daiwa, and Yamaichi, suffered falls in operating profits averaging 38 per cent in the half year to March. The setback was blamed on an heavy decline in the bond market, and occurred despite the brokerage income from stock transactions reflecting a boom in the stock market.

The three houses other than Nomura had been hit by their bond division setbacks in the half year to September and deficits on bond transaction expanded further in the period ended March.

For example, the 6.1 per cent Government bond, considered an indicator of the Japanese bond market, which was traded at

| | Revenue | | Operating profits | | Net profits | |
|----------|---------|----------|-------------------|----------|-------------|----------|
| | Ybn | % change | Ybn | % change | Ybn | % change |
| Nomura | 99.76 | - 6 | 28.31 | -29 | 15.47 | -24 |
| Nikko | 57.22 | -13 | 15.23 | -39 | 7.7 | -43 |
| Daiwa | 49.92 | -12 | 7.74 | -50 | 4.26 | -49 |
| Yamaichi | 47.2 | -15 | 6.58 | -54 | 4.09 | -46 |

Y88 in the beginning of the half, had fallen to Y77 in March. Losses on trading bonds were Y7.2bn (\$28.8m) for Nikko; Y6.9bn for Daiwa; and Y7.4bn for Yamaichi.

Nomura achieved Y1bn of profits on bond trading, helped by its large brokerage income, of Y2.5-Y3bn per month, and by a reduction in its bond holdings.

Commission income on stock transactions, however, fared well, generally on the strength of brisk turnover in the stock market. Income in the six months was 52.2 per cent of the total for the previous full year for Nomura; 52.5 per cent for Nikko; 58 per cent for Daiwa; and 53.9 per cent for Yamaichi. Commission income on stock

transactions for Nomura and Daiwa were at the record levels of Y55.7bn and Y30bn, respectively.

The market shares of the houses in the total stock transactions on the first section of the Tokyo Stock Exchange was 15.7 per cent for Nomura; 11 per cent for Nikko; 10 per cent for Daiwa; and 9.7 per cent for Yamaichi.

For the full year, ending September, the securities houses forecast that the bond market will continue dull, although there has been a slight recovery recently. Commission income on stock transactions is not expected to increase as much as in the first half.

Compensation for Japanese SMON victims

TOKYO — Three drug companies, Seikayu, Takeda Chemical Industries, and Ciba Geigy, have accepted full responsibility for the outbreak of the nerve paralyzing disease, SMON, an acronym for subacute myoclonic-optic neuropathy, and have agreed to pay nearly \$5m in compensation to 47 people in Japan suffering from its effects. The agreement, reached at an appellate court in Sapporo, northern Japan, provides for lump sum payments of Y13.5m to Y47.8m (\$55,000 to \$190,000) to each SMON sufferer. The settlement, the fourth of its kind, comes more than eight years after the first court action against the three companies for marketing the intestinal drug quinolone.

An estimated 11,000 people in Japan have been designated SMON victims after taking Quinolone, a drug prescribed by doctors and dispensed by hospitals for stomach disorders.

In addition to the lump sums, the companies have agreed to pay Y80,000 to Y100,000 monthly to eight people in the advanced stages of the disease.

They have also agreed to pay \$4,000 as "condolence money" to the families of six people who died. There are no accurate figures for the amount of compensation paid in the past, but the cost is expected to run eventually into hundreds of millions of dollars.

Peico Electronics lifts earnings

BY R. C. MURPHY IN BOMBAY

PEICO ELECTRONICS AND ELECTRICALS, the former Philips India, raised its pre-tax profits by 26.3 per cent in 1979, to Rs 137.4m (\$18.7m), from Rs 108.3m in 1978. The gain resulted from a changed range of products and controls on costs, the company said. The dividend was increased by 17 per cent from 16 per cent.

Last year was the concern's first of Indian company status. Philips of Holland, which had a majority interest in Philips India, has taken steps to bring down its stake to 40 per cent, in line with the Foreign Exchange Regulation Act (FERA). The process will be completed when Philips transfers 724,000 equity shares to public financial institutions in India, under an agreement reached with the Government. The name of the company was changed last year.

Pre-tax profits equalled 13.3 per cent of sales, against 11.8 per cent in 1978. Sales exceeded Rs 1bn for the first time, touching Rs 1.03bn (\$125m), to show a gain of 14.3 per cent over 1978. The major product groups which contributed to the higher sales were radio, electronic components, lighting and light components, electronic systems, and welding accessories.

The company introduced digital instruments and high frequency oscilloscopes to the Indian market. The laboratory development work connected with the machine monitoring and supervisory systems, which peico obtained an industrial licence to manufacture, is expected to be introduced in 1980. The company proposes to produce high pressure sodium vapour lamps for the first time in India.

Nugan Hand HK suspends repayments

By Anthony Rowley in Hong Kong

NUGAN HAND (Hong Kong), the locally incorporated deposit-taking arm of the Nugan Hand group has ceased repaying deposits as they mature, the managing director of the Hong Kong operation, Mr. John McArthur said yesterday.

Fraser's well ahead

By Jim Jones in Johannesburg

FRASERS, the South African soft goods and building materials chain with 322 stores, has reported a 31.1 per cent net earnings advance to R2.6m (\$3.2m) for the six months to March 31, 1980 from R1.9m for the previous first half.

Mr. Donald Campbell, the chairman, expects the trend to continue during the second half following the stimulation to consumer spending by the South African budget in March.

He does warn however, that current low interest rates which have helped profits, will not last indefinitely, and inflation is bound to have an adverse effect on the group's overheads.

Harper Gilfillan recovery

BY WONG SULONG IN KUALA LUMPUR

HARPER GILFILLAN Berhad, the Malaysian-based South-East Asian trading and manufacturing group, has reported a second consecutive year of steady pro-

gress, marking a recovery after several years of setbacks.

Pre-tax profits for the year to December rose by 17 per cent to 10.7m ringgit (US\$4.7m), on a turnover which increased by 16 per cent to 508m ringgit (US\$220m). The dividend is maintained at 20 per cent.

Recently, Harper Gilfillan Berhad announced that it was completing plans to comply with the requirements of the Malaysian Government's New Economic Policy.

As part of the scheme, a new company, Harper Gilfillan N.V., incorporated in the Netherlands Antilles by three major shareholders of Harper Gilfillan Berhad, is offering to buy all the shares of Harper Gilfillan, not held by it, at the price of 5.25 ringgit a share in cash.

The new holding company will then split the operations geographically, into four — Peninsula Malaysia, Sabah, Singapore and Hong Kong. At a later stage, the Peninsula Malaysia and Sabah operations will merge into a single company, quoted on the Kuala Lumpur Stock Exchange and with substantial Malaysian equity.

CREDIT COMMERCIAL DE FRANCE
PARIS

The Annual General Meeting of CREDIT COMMERCIAL DE FRANCE was held in Paris on the 23rd April 1980 under the Chairmanship of Mr. Jean-Maxime Léveque to approve the accounts of the financial year to the 31st December 1979.

The Balance Sheet total amounts to FF457 billion against FF38.6 billion as at 31st December 1978. The net profit of the Bank rose to FF86,375,000 against FF78,954,000 for the year 1978. It includes net long-term capital gains amounting to FF9,046,209 compared with FF14,374,000 the previous year.

After taking into account the profit due to minority shareholders in the subsidiaries, the consolidated net profit of the Group rose to FF128,478,000 as against FF101,223,000 in 1978.

The General Meeting approved the payment of a net dividend of FF9.40 plus a tax credit of FF4.70 as against FF8.50 plus a tax credit of FF4.25 the previous year.

Messrs. Edouard de Ribes, François Thiault and Charles-Albert de Waziers were re-elected as Directors.

This announcement appears as a matter of record only.

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DKB ECONOMIC REPORT

April 1980: Vol. 9 No. 4

Permeation of tightening may have adverse impact on Japan's business trend

Most of the world's advanced economies are tightening money supply to meet the problems of price spirals, deficits in the balance of payments, instability of foreign exchange markets, and rises in interest rates. Japan is no exception.

Export-led growth
According to recently-released preliminary national income statistics, gross national product in the October-December period of 1979 showed a rise of 1.3 per cent in real terms (seasonally adjusted) over the previous quarter.

Although the growth rate is lower than the 1.7 per cent registered in the July-September quarter, it means that the economy will have grown by an annual rate of 5 per cent.

A closer look into the 1.3 per cent rise in the October-December period, reveals that domestic factors contributed to the growth by 0.3 per cent and overseas factors by 1.0 per cent.

All this means that Japan's economy has grown on the basis of exports since the July-September period of last year.

A look into the rate of rise of domestic demand over the same period of the previous year reveals that private plant and equipment investments showed an encouraging increase of 2.4 per cent but private final consumption rose only by 0.3 per cent. Public expenditures showed a slight drop of 0.3 per cent, proving to be adverse factor for overall business conditions.

These characteristics of domestic demand in the period were observed in mining and industrial production activities as well. Producers' shipments of mining and manufactured products in the October-December period of last year continued to be firm with a rise of 2.9 per cent (seasonally adjusted) over the previous quarter.

However, the rate of gain in shipments to domestic markets was limited to 2.4 per cent, while shipments to overseas markets climbed by 5.9 per cent.

Rises in production

The economy has maintained an encouraging rate of expansion since the beginning of this year. Mining and manufacturing production in January increased by 1.3 per cent (seasonally adjusted) over the previous month as against only 0.6 per cent registered in the previous month.

A production index of manufacturing industries as forecast for February is as high as 4.7 per cent. This reflects the fact that industrial manufacturers have been stepping up production in anticipation of the hikes in electric power and gas bills to be effected in April.

Producers' shipments increased by 1.5 per cent in January, and it is expected that there will be no sudden drop in production and shipments for some more months.

On the basis of rises in both output and shipments, corporate performances have been stable in the latter half of fiscal 1979 (concluded at the end of March).

According to the Short-Term Economic Outlook Survey of the Bank of Japan carried out in February, pre-tax profits of principal manufacturing companies in the latter half of fiscal 1979 will drop by 5 per cent below that of the previous six-month period in which a major increase was scored, but they will still be 33 per cent over that of the corresponding period of fiscal 1978.

Private plant and equipment investments, which led recovery of Japanese business last year, have continued to be active.

The BOJ outlook indicates that plant and equipment investments in the first half of fiscal 1980 will rise by 3.5 per cent, while a Japan Development Bank report shows that plant investments will increase 0.4 per cent in the period.

Although actual growth of plant investments may slacken in fiscal 1980, Japanese industrialists are still highly enthusiastic about improvement and expansion of production facilities.

One of the indicators fore-running plant and equipment investments, orders placed for machinery (excluding those for shipbuilding and electric power equipment) dropped by 10.3 per cent (seasonally adjusted) in December below the previous month, but the figure went up by 17.9 per cent in January.

As these sharp ups and downs are evident, it is clear that plant and equipment investments will continue the high pace set in the fall of last year, although it is not certain exactly how current tight money conditions will affect plant and equipment investments.

Private consumption expenditures continued to be dull in the latter half of last year, largely reflecting the unusually warm fall and winter.

Since the beginning of this year, production and shipments of consumer goods have shown some increases as reflected in the fact that sales of large retail outlets in January showed a high rate of increase of 13.1 per cent over the same month of last year.

However, the balance of Bank of Japan currency in circulation, which reflects movements of personal consumption, increased by 9.5 per cent in December over the same month of the previous year, similarly by 9.3 per cent in January, 9.7 per cent in February.

All this means that the balance of currency in circulation has continued to be stable, mirroring the weak undertone of personal consumption.

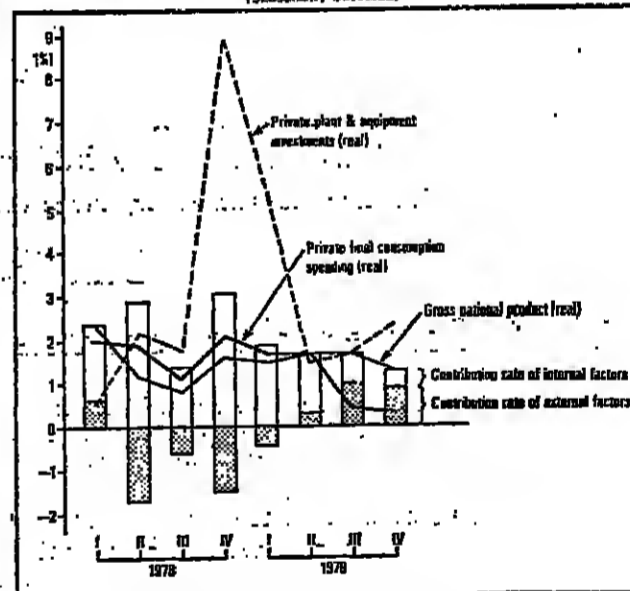
Other factors of domestic demand, such as private housing investments and public finance expenditures, have not shown any encouraging signs of recovery.

Export rises

Exports are continuing to rise. Exports in terms of quantity on a customs clearance basis showed an increase of 13.7 per cent in December over the same month of the previous year.

Following this high rate of increase, the figure went up by

Quarterly Changes in Gross National Expenditures (Seasonally adjusted)



Source: The Economic Planning Agency

10.9 per cent in January and by 23.1 per cent in February.

An indicator fore-running actual exports, receipts of export letters of credit rose by 21.0 per cent in terms of the dollars in January and increased by 37.8 per cent in February.

Likewise, a survey conducted in February by the Economic Planning Agency on export-import transactions of principal trading companies indicates that exports will continue to expand over the next several months — up to the July-September period.

On the other hand, imports are visibly declining. Imports in terms of quantity on a customs clearance basis dropped by 6.7 per cent in January below the same month of last year, and continued to decline by 2.5 per cent in February below the same 1979 month.

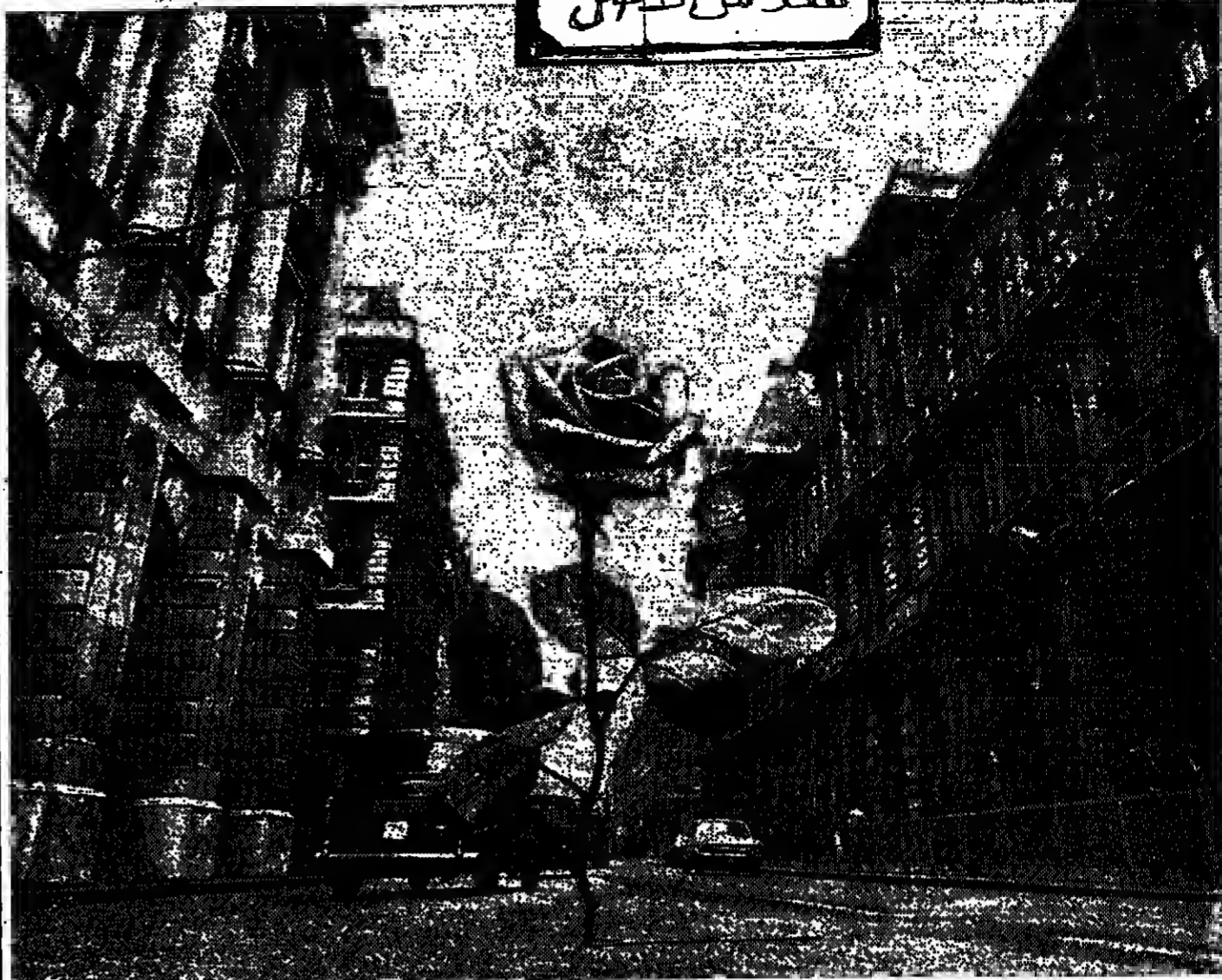
In terms of value expressed in the dollar, however, imports rose by 38.7 per cent in January, and continued to go up by 48.1 per cent in February. The major increase in February largely reflected arrivals of higher price oil at Japanese ports.

Despite increases in exports, a high level of imports in terms of value have forced the country's balance of payments to be in deficit since July, last year. The deficits amounted to \$237 million (seasonally adjusted) in January and \$401 million in February.

As indicated in these figures, prices have been relatively stable so far. However, prices will continue to be one of the major problems of the country as electric power, gas and other public fare have gone up or are going to go up, while wholesale prices of various consumer goods have already gone up. It is also expected that there will be rises in prices for various services following the wage hike to be won by labor through their current "spring offensive."

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The next DKB monthly report will appear May 26.

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| HONG KONG | | | |
|--|----------|-----------------|--------|
| | April 24 | Price N.K.C. | + or - |
| 103.3 | +1.0 | | |
| 113 | | | |
| 438 | -15 | | |
| 661 | | | |
| 122.2 | +9.5 | | |
| <p>Cheung Keng... 26.6, +0.1 Oomoo Pore... 1.90, +0.10 Cross Harbour... 6.36 Easton Asia New... 2.35 Hang Seng Bank... 87.5 HK Electric... 10.10, +0.10 HK Kowloon W... 0.93 HK Land... 10.90, +0.08 HK Shanghai S... 94.6 HK Telephone... 94.6 Nutchison W... 10.90, +0.08 New World W... 6.52 O'Connell Trust B... 20.6 Swire P... 7.35, +6.96 "Wheel" Mand... 4.50 "Wheel" Mand... 4.50</p> | | | |
| JAPAN | | | |
| | April 24 | Price Yen | + or - |
| 778 | | | |
| 110 | | | |
| 128 | | | |
| 102 | | | |
| 146.5 | | | |
| 85 | | | |
| 124 | | | |
| 215 | -1.5 | | |
| 83 | | | |
| 839 | -2 | | |
| 121 | | | |
| 204 | -2 | | |
| 101 | | | |
| 86.5 | -0.5 | | |
| 73 | -1.5 | | |
| 78.5 | -0.5 | | |
| <p>Aikimoto... 975 Asahi... 480, -14 Asahi Glass... 358 Bridgetown... 505 Canon... 527, +29 Citizen... 576 Dai... 728 Dai... 894 Dai Nippon P... 300 Daiwa House... 415 Daiwa House... 286 Ebara... 483, +5 Elai... 583, +11 Fuji... 610 Fuji Film... 689 Fujiwara... 758, -12 Fujiwara... 2,610 Hachi... 415 Hansheng... 513 Matsui R Est... 97, -2 No... 320 No... 390 Hitachi... 596, +18 Hoya Food... 702 Hoya... 97 Hoya... 48 Ito Hen... 370 Ito Yekado... 1,070 JAL... 350, +7 JAL... 2,360, +4 Jussco... 869 Jussco... 293 Kajima... 584 Kajima... 480, +10 Kikkoman... 397 Kokuyo... 970, +5 Komatsu... 360 Komatsu... 450 Komatsu... 450, +2</p> | | | |
| SOUTH AFRICA | | | |
| | Apr. 24 | Price Rand | + or - |
| 278 | | | |
| 64.9 | | | |
| 64 | -0.5 | | |
| 140 | | | |
| 128 | | | |
| 102 | | | |
| 146.5 | | | |
| 85 | | | |
| 124 | | | |
| 215 | -1.5 | | |
| 83 | | | |
| 839 | -2 | | |
| 121 | | | |
| 204 | -2 | | |
| 101 | | | |
| 86.5 | -0.5 | | |
| 73 | -1.5 | | |
| 78.5 | -0.5 | | |
| <p>Abercom... 2.73 AG & L... 3.20 Anglo Am. Op... 15.0, +0.5 Anglo Am. Gold... 80 Barrow Rand... 2.95 Buffalo... 24, +1.5 OHA Invest... 4.58 Currie Finance... 1.50 De Beers... 2.55 East Rand... 24.2, +1.0 FG Geduld... 55.5 Fidelity... 2.78 Highveld Steel... 4.00, +0.05 Huettner... 8.05 Kloof... 29.5 Nedbank... 5.50, +0.1 N. Bazarra... 14.3, -0.1 Protea... 2.78, +0.05 Rembrandt... 6.00 Renneville... 2.78, -0.1 Rust Plat... 5.15, +0.1 S. Africa... 1.78 SA Brews... 2.00, +0.02 Smith CG Sugar... 14.3, +6.1 Tiger... 1.78 Tiger Oats... 14.40 Unisco... 1.90, +0.05</p> | | | |
| Financial Rand 190.94 (Discount of 24 1/4%) | | | |
| BRAZIL | | | |
| | April 24 | Price Cruz | + or - |
| 1,153 | -23 | | |
| 1,715 | -30 | | |
| 1,785 | -15 | | |
| 780 | -6 | | |
| 2,085 | -5 | | |
| 4,280 | -10 | | |
| 55,600 | -20 | | |
| 3,300 | -50 | | |
| 6,300 | +75 | | |
| 1,860 | -80 | | |
| 1,370 | -70 | | |
| 5,128 | -25 | | |
| 2,230 | -40 | | |
| 7,760 | -10 | | |
| 6,500 | -40 | | |
| 427 | -3 | | |
| 950 | | | |
| 866 | | | |
| 3,360 | -30 | | |
| 7,760 | -10 | | |
| 3,216 | -10 | | |
| 2,070 | | | |
| 13,500 | | | |
| <p>Anacle... 1.25, +0.01 Banco Bras... 2.65 Belgo-Min... 1.33 Lojas Amer... 2.40, +0.04 Parobara PP... 2.66 Parobara... 2.50 Souza Cruz... 6.50 Unip Pet... 5.20, -0.10 Vitor... 8.20 Vol... 179.00 Source: Rio de Janeiro Sec.</p> | | | |
| Spanish prices. Page 24 | | | |
| <p>NOTES—Prices on this page are as quoted on the individual exchanges and are net trade prices. 3 Days' net, ad Ex dividend, ad Ex scrip issue, ad Ex rights, ad Ex li.</p> | | | |

THE PROPERTY MARKET BY MICHAEL CASSELL

Investment 'go-slow'

THERE WAS a virtual standstill in the level of institutional investment in UK property during 1979, despite the continuing popularity of property as an investment option and the growing volume of money looking for an income-producing home.

Figures provided by various government sources in the past few days show that while the insurance companies and pension funds pushed up their net investment programme at home and abroad from around £3.4bn in 1978 to £9.9bn in 1979, the level of funds put into UK property remained almost unchanged.

Although some elements of the figures are still provisional it looks as if spending on UK property and land last year totalled £1.14bn, just fractionally ahead of the 1978 figure of £1.13bn. If the substantial increases in capital values are taken into account, the real level of institutional property investment went down.

The overall net investment figure of £9.9bn does include some overseas property activity, though the returns in this respect are not comprehensive and it is not in any case possible to separate them from the overall total.

Notwithstanding their failure to materially step up UK property investment over the last two years, many institutional investors wish to see a

rise in the property content of their portfolios.

At present, the average net inflow allocated to property by the life companies and pension funds lies somewhere between 10 per cent and 15 per cent and it is expected in some circles that the proportion of institutional funds directed into the property sector will rise to nearer 20 per cent within the next five years or so.

In answer to the shortage of properties which come up to institutional standards — standards which, as for, show no sign of cracking — the funds are continuing to expand their role as do-it-yourself developers. But given the gloomy forecasts for the corporate sector, the institutions might soon find an increased flow of properties on the market as companies under pressure attempt to improve liquidity by selling property assets and leasing back — a fairly widespread phenomenon in 1974-75.

According to the latest government figures, the investment activity of insurance companies in 1979 was, as in previous years, dominated by the continuing move into British Government securities. But of the £885m which the long-term funds of insurance companies put into non-public sector or company securities, £574m found its way into land and property. In 1978, the figure was £487m.

At the same time, the general funds of the insurance houses invested £860m last

year, of which net investment in land and property accounted for about £57m, a fall of £5m from the previous year.

As for the private sector pension funds, which put the bulk of their £2,056m of investment funds into company securities, a total of £303m was spent on property and land during the year. This compares with a net investment of £164m in land and property in 1978.

The local authority and other public sector superannuation funds invested a combined total of £2,590m last year. In spending just under £38m on property during 1979, the local authority funds repeated (somewhat uncharacteristically) almost to the pound, their expenditure in 1978.

But the other public sector pension funds, such as those run on behalf of employees of the Post Office, Gas Council, electricity supply industry and the railways, cut back property investment from £357m in 1978 to £267m last year.

It is, however, some of these huge public sector funds (the Post Office Superannuation Fund has a capital value of around £2.6bn, followed by the National Coal Board Funds at about £2.1bn) who have been more active in the search for overseas investments. It is a sector of the investment market which relatively few funds feel capable of tackling but one which more may have to enter if property is to maintain or increase its traditional proportion of the typical institutional portfolio.

Chesterfield delays DoE legal action

CHESTERFIELD PROPERTIES has decided to delay proceedings threatened against Mr. Michael Heseltine, Secretary for the Environment, because of delays in approving the £3m final phase of the Bransholme district shopping centre in Hull.

The company said yesterday that it had been advised by counsel to postpone proceedings despite having clear grounds for taking immediate steps. The complaint centres on the Minister's decision in August 1979 to call in Chesterfield's plans to provide the shopping complex with a 76,000 sq ft extension, despite the local planning authority's approval for the scheme.

Both Hull City Council and Chesterfield called the inquiry a waste of time and money and there were no major objections to a scheme which was first approved 13 months ago.

Now Chesterfield says that a decision on whether or not to institute proceedings against the Secretary of State will be put off until the conclusion of a public inquiry into proposals by Asda to build a superstore at Bilton, a few miles away from Bransholme. The Department of the Environment has apparently insisted on raising the Bransholme issue at the Bilton inquiry — which began on Tuesday — and the Inspector has been asked to report on the likely effect of each proposed development on the area as a whole, whether both schemes should be permitted or whether just one should go ahead.

Hull City Council has opposed the Asda plan for a 58,000 sq ft district shopping centre — although it would accept a smaller store — and both Chesterfield and Asda have repeatedly stated that neither company wants to prevent the other from developing their superstores.

The 65,000 sq ft office building at 28, Sehn Square, London, W1, has been sold by Conrad Ritholt on behalf of British Land to Austin Knight for £750,000. The offices formerly occupied by Cross and Blackwell, were purchased by British Land in 1968 for £1.6m. Immediate funding with Sun Life was arranged at £1.6m on a lease-back for 200 years and on a rental basis of two-thirds the rack rent up to 1984 and seven-ninths thereafter. Fourteen-year rent reviews were agreed for the first 42 years, then increasing to seven-year periods. The entire property was let to Austin Knight at £100,000 a year for 42 years with 14-year reviews, showing a shortfall to British Land of £10,000 a year for the first 14 years. E. A. Shaw represented advertising concern Austin Knight.

All the remaining office space in Haslemere Estates' restoration scheme at 3, Kings Arms Yard, EC2, has been let by Jones Lang Wootton and Fletcher King to the Midland Bank.

Rates burden gets heavier

A WARNING this week from Sir Horace Cutler, leader of the Greater London Council, that property owners and planners are in danger of killing off the "golden goose" — the millions of office jobs located in the capital.

Sir Horace told the Associated Owners of City Properties that it would be short-sighted for owners to insist on "excessive" rents and that, in turn, councils should enable the demand for office space to be met. The GLC leader said that while the attractions of London as a national and international employment location were clear, another 15 banks came in during 1979 bringing the total to 330 — it was close to the top of the league for rents and associated costs.

Sir Horace's warning is not the first of its type and there has clearly been a major em-

placement drift away from the capital in recent years, with industrial jobs declining in the wake of the growth of the service sector.

High rental costs and a restricted supply of suitable property are the reasons most generally quoted to explain the continuing migration but the publication of a report prepared by Debenham, Tewson and Chimmocks, the chartered surveyors, shows just how much Sir Horace's counterparts in the local authorities themselves can influence the "associated costs" he mentioned.

The report, on office rents and rates, shows that the rates burden continues to grow as a percentage of rental outgoings, despite the large rises in rental values. By Debenham Tewson's calculation, a tenant in the City of London can now expect his rate bill to be roughly equal to

half his annual rent, whereas in 1974-75 it represented only 20 per cent of the rental figure.

The problem is not, of course, confined to London but the report does show that rates in the main office centres have grown more rapidly than the national average level in the current financial year. A reversal of the trend in recent years and due mainly to alterations in the rate support grant which have meant the allocation of proportionately fewer funds to the metropolitan areas.

The CBS, which is calling for a cap on business rates, says these could exceed £4bn in 1980-81, an amount roughly equal to the sum due in Corporation Tax over the same period. It seems it is not just the "property" owners and planners who might be killing rate bill to be roughly equal to

Greycoat pushes on at Tower Hill

GREYCOAT LONDON ESTATES, the joint partnership between Greycoat and Sir Robert McAlpine, has entered the next round in its campaign to get planning approval for its office and hotel complex at Tower Hill. The original application, which was passed by the Greater London Council and the City Corporation, was rejected by Tower Hamlets and the company lodged an appeal. Now it has entered a revised second application, which entails a small reduction in the proposed office

content and some architectural alterations.

The complex is planned to offer about 140,000 square feet of office space, a 250-bedroom hotel and a public house. Greycoat London is already having talks with a UK hotel chain operator.

Stuart Lipton of Greycoat says the office content should cost around £15m though no funding arrangements will be made until the planning problems are cleared up. Such problems are not stranger to Lipton and his colleagues, with the marathon

Colin Street inquiry behind them.

The inspectors' report is with Ministers and attempts by Greycoat Estates to go ahead with a £30m office, shopping and residential scheme on the site of Spitalfields Market still moving slowly forward. Work on Christies Gardens, the 44-acre redevelopment scheme, close to Liverpool Street Station is, however, well underway. The Baltic Exchange is no longer a potential tenant but Greycoat has already started a low-key search for occupiers. Completion is due in 1981.

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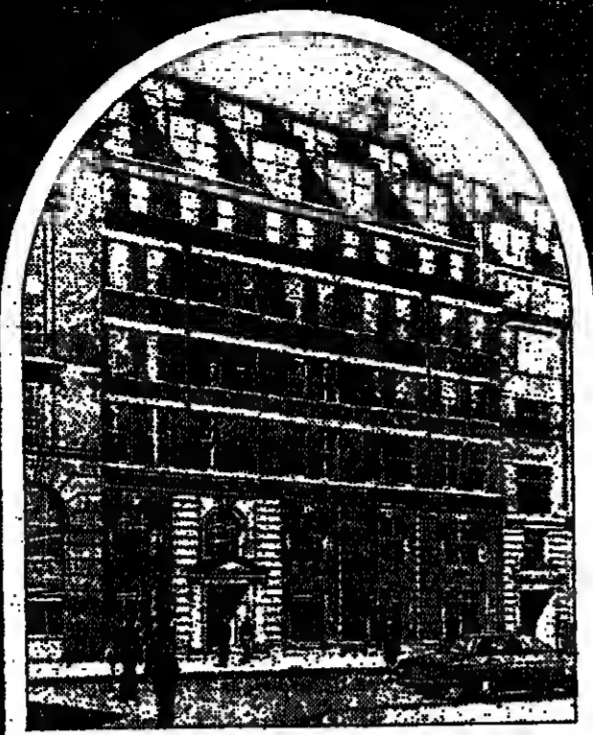
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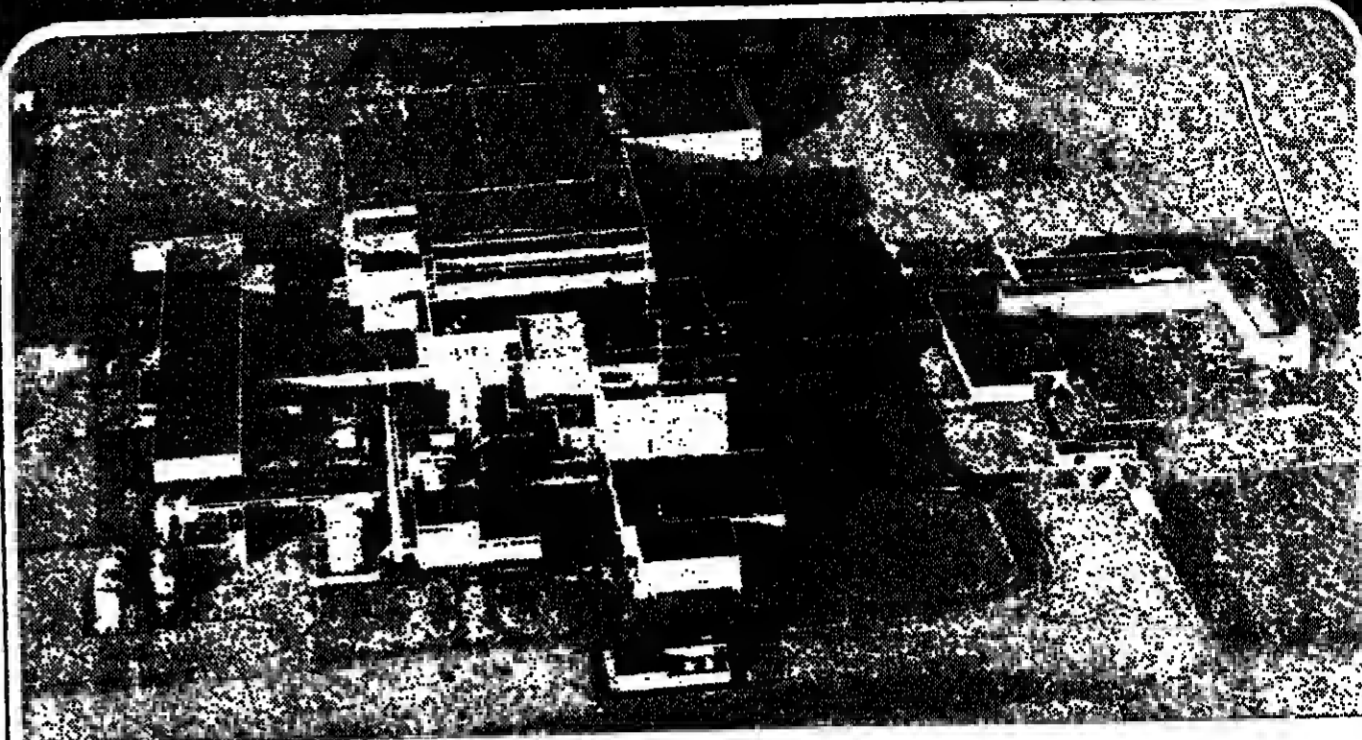
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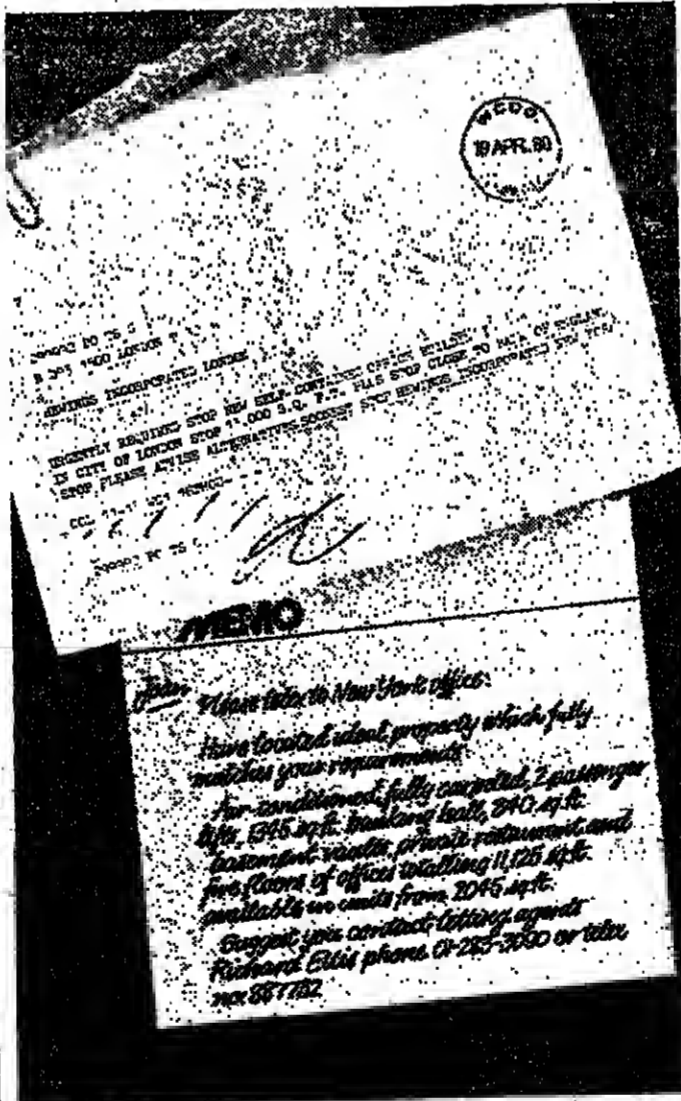


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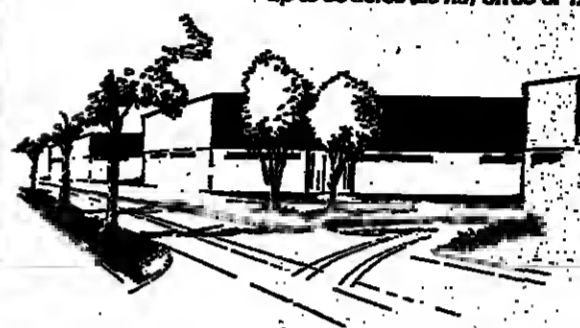
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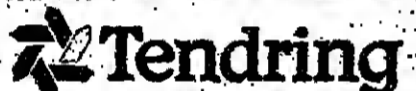
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